



National Council of Applied Economic Research

SURVEY
of
INDIA'S EXPORT POTENTIAL
within
THE INDIAN OCEAN BASIN
& NEARBY AREAS

March 1970

JAPAN

**SURVEY
of
INDIA'S EXPORT POTENTIAL
to
Twenty-six Selected Countries
in
THE INDIAN OCEAN BASIN
And Nearby Areas**

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THE EXPORT PROMOTION DIVISION
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**NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH
NEW DELHI**



REGIONAL TRADE STUDY

SURVEY OF INDIA'S EXPORT PROSPECTS

IN

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PREFACE

In 1968, the National Council was requested to undertake a study of the export prospects for India in 26 selected countries in the Indian Ocean Basin and nearby areas. The study was to form part of a series of 'Export Potential Surveys' which are being performed by independent Indian research organizations for the Ministry of Foreign Trade. The series of studies is sponsored by the U.S. AID Mission to India Export Promotion Division.

The countries covered by this study are: Kenya, Uganda, Tanzania, Zambia, Ethiopia, Malagasy Republic, Libya, Iran, Iraq, Saudi Arabia, Kuwait, Muscat and Oman, Abu Dhabi, Dubai, Ceylon, Burma, Singapore Malaysia, Indonesia, Thailand, Philippines, Hong Kong, Republic of Korea, Japan, Australia and New Zealand. This report on Japan is one of the series.

The main objective of the study was to assess the export prospects of India in the selected countries over the five year period (1969-74). We have studied the existing pattern and past trends of Indian exports to each country, assessed the trade prospects of India in each country and suggested measures for realising the

export prospects. The term 'export' has been used in the wider sense not only to include commodities but also services such as joint ventures and engineering or construction contracts.

Apart from the individual country reports, an overall report covering our general findings with respect to the entire region of 26 countries has also been prepared and submitted and is being published separately. It may be added that the data given in this report and findings based on this data relate to the period of the field visit of our team which took place in June 1969. It is possible that certain changes might have taken place since the visit of our team. This has to be kept in mind by the readers.

In this country study we have had full cooperation from various agencies in India as well as in Japan. My special thanks are due to the Ministry of Foreign Trade, Government of India, the Indian Embassy in Japan, and the Government of Japan and a large number of businessmen and other people whom our team contacted during the field visits.

In the preparation of this report, I had full

cooperation from my staff members who were directly responsible for conducting the entire study covering all the countries including the present one. Their names are given in Appendix 2. My special thanks are due to **Shri R.S. Sharma**, Project Director and **Shri N.J. Kamath** and **Dr. P.C. Jain** members of team for this country. I hope the report will be found useful by all those engaged in the export effort.

New Delhi
December 1969

S. Bhoothalingam
Director-General

N O T E S

1. The dollar (\$) referred to in this report is the U.S. dollar.
2. Reference to the present in the report is as of June 1969 the time of the team's visit to this country. The data given and assessments made are also as obtainable then.

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SELECTED ECONOMIC INDICATORS

Items	Unit	1960	1965	1966	1967	1968
Population	Million	93.4	98.3	99.5	100.2	101.7
Growth Rate of Population	%	0.86	1.9	1.0	0.8	1.4
National Income						
a) at current prices	Billion \$	348	680	783	927	N.A.
b) at constant prices (GNP)	1960 prices	348	673	746	848	N.A.
Per Capita Income						
a) at current prices	\$	373	692	783	925	N.A.
b) at constant prices	\$	373	685	750	846	N.A.
Growth Rate of National Income (constant prices)	% p.a.	-	14.1	11.0	13.7	14.9
Wholesale price index	1965=100	N.A.	100.0	102.4	104.3	105.1
Consumer price index	1965=100	74.0	100.0	104.8	109.1	115.2
Production Index						
i) Agricultural	1965=100	90.8	100.0	103.0	110.6	N.A.
ii) Industrial	1965=100	58.0	100.0	113.1	134.8	158.3
Foreign Trade						
i) Exports	Million \$	4055	3452	9776	10442	12750
ii) Imports	"	4491	8169	9523	11663	10220
iii) Balance of Trade	"	-736	283	253	-1221	2530
iv) Balance of payment current account	"	N.A.	931	1251	-192	1048
Gold & Foreign Exchange Reserves		N.A.	2107	2074	2005	3086 (Feb. 1969)

(Contd.....)

SELECTED ECONOMIC INDICATORS (Contd...)

Items	Unit	1960	1965	1966	1967	1968
Trade with India	Mill.US\$					
i) Exports to India	" "	111	204	167	138	139
ii) Imports from India	" "	126	184	206	259	293
iii) India's share in total exports	%	2.7	2.4	1.7	1.3	1.7
iv) India's share in total imports	%	2.8	2.3	2.2	2.2	2.8
v) Balance of trade with India	Mill.US\$	15	20	-39	-121	-154
IMF Par Value	Yen per US \$	360	360	360	360	360

Area: 370,000 square kilometres

Capital: Tokyo

National Currency: YEN

SUMMARY AND RECOMMENDATIONS

Highlights of the Economy

Japan's economy has been advancing at once of the highest rates of growth among the countries of the world. Due to the rapid rate of growth in national income at 13.8 per cent (compound) per annum during 1953-67, Japan now has the second highest national income of any private enterprise economy, next to that of the U.S.A.

The Japanese economy is likely to continue to boom in future. The GNP is expected to grow at 7.5 per cent to 8.2 per cent per annum during 1966-1985. The structural change will also continue. The secondary sector, which already accounts for 36 per cent of the total GNP, is expected to claim a share of 48 per cent by 1985. The primary sector, which accounts for only 12 per cent of the total GNP, is expected to come down to 5 per cent.

Japan has nearly full employment and a shortage of labour has been felt for some time. This is expected to be further aggravated as the number of persons available for shift from the primary sector to the secondary

sector declines. The growing shortage of labour and the rising standards of living have been spiralling the wage rate upwards at the rate of 10 per cent per annum. This trend is making certain lines of production uneconomic leading to Japan's becoming increasingly uncompetitive in products of industry which are labour-intensive. Added to this, the introduction of the same wage rate in large and small enterprises alike has resulted in the closing down of many smaller units especially those in light industries. As a result, there is a growing tendency to import more and more primary products and products of labour-intensive industries as well as components and spares.

The labour-intensive items, which in future, Japan would like to import rather than produce herself are products like electronic components, certain light and heavy engineering components and products such as forgings, simple castings, compressors, hydraulic machinery, spark plugs, other spare parts for automobiles, small transformers, switchgears, components for office machinery, simple machine tools, centrifugal pumps, components for railway wagons, cotton yarn, grey cotton cloth and leather. Here then is a prospect for countries

like India to sell products of increasing import-interest to Japan. There is also the prospect arising out of Japan's increasing interest in developing new sources of supplies of components as inputs for her own industries through the setting up of labour-intensive industries in countries like the Republic of Korea and Taiwan.

Trading Companies

Japan as a market is dominated by the activities of her trading houses like Mitsui, Mitsubishi, Marubeni, C. ITOH and Co., etc. These trading companies not only deal with the export and import trade of Japan, but also have a major hand in banking, finance, industry, shipping and a range of allied activities. The bigger trading companies have also branches all over the world. Equipped with information on prices, quality and terms of sale prevailing in various countries of the world, these trading houses are in an advantageous position to play a dynamic role in Japan's trade with other countries. In fact, they handle 70 per cent of imports into Japan and 80 per cent of her export trade. Apart from Japan's own trade, the trading companies conduct trade between two or more countries outside Japan and negotiate and

participate in joint ventures between Japan and other countries. It stands to reason that India can reap rich dividends by having close links with the bigger trading companies of Japan who have their branches in India. There is also a lot that can be learnt from the organisation and methods adopted by these trading companies.

Other Agencies

Trade other than what is handled by the trading companies is dealt with direct by manufacturing companies or wholesalers in Japan. In retail trade, however, departmental stores and super markets have been playing an increasingly important role. These would be good points of contact for developing India's export trade, particularly in consumer items.

Terms of Trade

Most of the imports into Japan are either on letters of credit or on short term commercial credit of 90 to 180 days. Imports of components, spares, machine tools and light engineering products are generally on cash basis. Furthermore, the Japanese buyers,

especially of industrial equipment as also of raw materials, prefer to have long term agreements for supply. The delivery period is of crucial importance as the bigger industrial units atleast work on an extremely short inventory.

Shipping

There are an adequate number of sailings from India to Japan. However, due to lack of port facilities in India to berth large capacity ships, the ships which sail from India are comparatively of lower capacity than that of ships from some other countries. Due to the smaller sizes of vessels from India, the freight rates from India are higher than from Brazil, Argentina and Australia, etc.

Regulations Governing Imports

Though Japan is one of the most competitive bidders in the international market, in her own domestic sphere she has not been inapprehensive of competition from foreign suppliers. Hence, she has a history of import licensing in a vast spectrum of unexpected items tempered no doubt with a system of automatic approval in most cases, quota restrictions in over 120 commodities

(many of which are of interest to India), exchange control, the requirement of approval in respect of foreign investments, and a tariff structure involving the levy of import duties which in certain cases go up to 50 per cent of CIF value. With the improvement in the balance of payments, however, Japan has launched programme of liberalisation of import restrictions and exchange control coupled with a reduction in tariffs under the Kennedy Round negotiations. This clearly has contributed to the further expansion of imports that had already been set into motion. The prospect for India reaping benefits out of these trends can be heightened if arrangements are instituted to keep a close watch on developments in government policy and changes in industrial structure, so that timely action can be taken to cash-in on them.

One such change, for instance, is the concession Japan has recently announced in the matter of imports of all components and spares required for Japan's electronic industry by assessing the duty only on the value added so long as the raw materials or semis had earlier been drawn from Japan.

, Japan has a galaxy of highly efficient export

organisations. Leading among them are governmental agencies like the Japan Export Trade Organisation (JETRO), the Economic Planning Agency, the Supreme Council on exports, International Trade Bureau, Institution for Inspection of Industrial Manufactures and the Export-Import Bank. Also important are the series of private sector organisations like the exporters associations and inspection councils for various products. Of these, JETRO stands out as the most important and highly successful institution from whose organisation and techniques India can learn a lot for building up her own export organisations.

Problems and Prospects of Expanding Indian Exports

Japan's importance as a market for Indian products is growing. While in 1951-55 only 2 per cent of India's total exports went to Japan, by 1968-69, Japan has become the third biggest market for Indian products securing a share of 11 per cent of India's exports. India's share in Japan's imports has fallen from 2.8 per cent in 1960 to 2.6 per cent in 1968. In absolute terms, however, the value of exports from India to Japan has been rising. The export of iron ore has tilted the trade balance in favour of India with effect from 1967-68.

Besides iron ore, the other major items of export from India to Japan are fish, oil cakes, tobacco, wood, raw cotton, mica, iron and steel scrap and manganese ore. So far India has not exported manufactured goods to Japan.

India's export of iron ore is continuously rising, but her share is declining. Fish, oil cakes, tobacco, wood and silk fabrics are other items whose exports have increased in the last two years and all of them except tobacco have further good prospects of expanding exports.

However, in case of some traditional exports like raw cotton and iron and steel scrap, the value of total exports has declined because of the supply constraints in India. It is possible to increase their exports considerably. Further, there is a good scope to develop exports of cotton yarn, grey cloth, tea, machine tools, electric machinery and appliances (especially small transformers and switchgears), industrial machinery, components for diesel engines, automobiles and railway wagons, aluminium ingots, naphtha, fish, maize, oilcake, cut diamonds and jewellery, fresh and preserved fruits and vegetables. However, exports of some items like pig iron may decline because of

increased production in Japan.

There are many problems in the expansion of India's exports both of traditional and non-traditional items. For traditional exports of iron ore and other ores, the difficulty is lack of port facilities in India to berth ships of higher DWT. For cotton yarn, grey cloth and maize, the major problem is that Indian prices are higher than what is being quoted by India's competitors. In items like aluminium ingots, iron and steel scrap, raw cotton, oil cake, fish, preserved fruits and vegetables and diamonds and jewellery, the major problem is that of supplies in India. If supplies are increased, quality is improved and proper processing and packing facilities are developed, there is a considerable scope for the expansion of their exports.

In engineering items, there are number of problems. So far India has treated Japan only as a market for raw materials and in the past very little effort has been made to sell engineering goods. The Japanese are also not well informed about India's capacity in the industrial field and have certain apprehensions about buying from India especially regarding quality and timely supply.

Scope for Joint Ventures

There are bright prospects for establishing industries in India with Japanese collaboration for producing items which are of import interest to Japan, where labour costs are rising. The Japanese have shown interest in setting up joint ventures in India for mining iron ore, forging and castings, injection moulding machinery for plastics, compressors, hydraulic machinery, spark plugs and other parts for automobiles and certain items required in the construction industry, on the basis of their interest for importing the products of such joint ventures into Japan. Such joint ventures would also have good prospects for export to third countries.

It appears that Japanese industrialists have certain apprehensions in investing in India. They feel that it takes a long time to get the Government of India's clearance, that India's external trade policies are uncertain and that the labour situation is not conducive for investment. Further, they want to have a share in management and sometimes find it difficult to get on well with Indian firms. In addition, they are not happy with the taxation policies of India.

Joint Venture in Third Countries

India can, with advantage, collaborate with Japan in establishing joint industrial units in the developing countries of Asia and Africa. The fruitful fields are machinery equipment and the chemical industries. India should be able to supply simple machines and heavy weight equipment due to her locational advantage while Japan should provide the designs, know-how, supervision and the sophisticated machinery.

RECOMMENDATIONS

A. Commodity

(1) The following commodities appear to warrant the greatest effort for expansion of Indian exports to Japan:

1. Cotton yarn
2. Grey cloth
3. Tea
4. Machine tools
5. Components and spares
6. Industrial machinery
7. Iron ore
8. Mica
9. Manganese ore
10. Chemicals, especially liquid chlorine and naphtha
11. Fish
12. Maize
13. Oil cake

14. Diamonds and jewellery
15. Preserved fruits and vegetables
16. Wood

(2) Fish products: The potentialities for sale of fish, especially prawns and shrimps, to Japan appear to be bright. To meet the requirements of the sophisticated Japanese market, collection, storage and transportation under hygienic conditions are vital factors. India should collaborate with Japanese industry to develop her fish and fish product industry.

(3) Maize: In order to develop the export of maize, India should quote \$ 63 per ton C.I.F. Japan.

(4) Fresh fruits and vegetables: The exports of preserved fruits and vegetables can be developed with proper processing and packing capacity in India. In the beginning, in order to seek an entry for Indian fruits and vegetables, they should be exported in bulk containers to Japan, where they can be canned and packed in attractive containers acceptable to the leading super markets and department stores.

(5) Coffee and tea: India should try to secure a quota for coffee and get an increased share in the tea quota.

(6) Oil and oilseeds: Japan should be persuaded to lift the ban on the import of vegetable oils and oilseeds, and India herself should be willing to relax restrictions on the export of oilseeds especially groundnuts, linseed and cotton seed.

(7) For expanding exports of oil cakes, fish meal and other animal feed, link deals may be considered and an Indian fish meal industry might be developed with Japanese collaboration.

(8) Mica: In order to step up export earnings from mica, the export of mica elements should be encouraged by providing the facilities for imports of dies, wires and other inputs required for element manufacture.

(9) Bulk items: To develop the export of iron ore, manganese ore, wood, and other bulk items, port facilities should be improved to berth ships of DWT 100,000 tons or more.

(10) In the bulk, raw material, items like iron ore, manganese, liquid chlorine, naphtha, etc., long-term contracts should be concluded with Japanese buyers.

(11) Cotton textiles: For exporting cotton yarn and grey cotton cloth, India should offer selective price to Pakistan, Taiwan and the Republic of Korea and quality products of the standard mills should be offered.

(12) Silk: To meet the demand of silk fabrics, India should increase the supply of the raw silk by imports from the Republic of Korea.

(13) Machinery and Transport Equipment: For getting access in the field of machinery and transport equipment, Indian manufacturers should arrange to send their sales and production engineers to visit Japan to meet industrialists and negotiate business deals.

(14) Components: For the sale of components and spares, entrepreneurs in India should make big sales efforts and develop the production capacity for quality parts according to the derived specifications. To this and it would be helpful if Japanese buyers could be given a hand in developing effective quality control. Good distributing agents should be appointed and arrangements made for getting regular inflow of market intelligence information.

(15) Consumer products: Indian handicrafts, diamonds and jewellery and other consumer products should be made available through leading department stores.

B. General

(16) To dispel the major lack of knowledge in Japan of India's development in the field of industry and technology, it is necessary to project in Japan a proper image of industrial India through publicity by making use of TV, radio, newspapers, publicity pamphlets, and other literature,

(17) Aggressive salesmanship is vital - there is great advantage if a salesman learns the Japanese language or if Japanese interpreters are engaged for prompt and fuller communication.

(18) Sales and production engineers should visit not only Tokyo but also other important centres like Osaka and Nagoya. Sales and production engineers should move with samples and be in a position to negotiate and strike business deals.

(19) Japanese business men and industrialists in the appropriate fields of interest should be invited to

visit India to see the progress for themselves and also to enter into business contracts.

(20) India should take part in industrial exhibitions and specialized trade fairs which are held in Japan from time to time. Full advantage should be taken of Expo 70 to create a proper image of Industrialised India.

(21) The commercial wing of the Indian Embassy in Tokyo should be strengthened so that it can develop closer contacts and be in a position to put pressure on Japanese authorities for increased quotas, etc. There is a requirement for attaching at least one engineer to the Embassy for market survey, to collection of market intelligence, and arrangements for a regular feed back to Indian engineering industry.

(22) India should consider having a focal point in Japan in the nature of a trade centre for the display of her products.

(23) To ensure regular and prompt deliveries, it would be desirable to have warehousing facilities in Japan. This is one means by which it would be possible to ensure that Indian industry can meet the tight delivery schedule required for the mass production units in Japan.

(24) India should consider making greater use of Japanese trading companies by appointing them as sales representatives for developing exports and collecting market intelligence.

(25) In respect of items where the trade is handled direct by manufacturing companies, Indian parties should have contacts with the manufacturers themselves.

(26) The State Trading Corporation of India should consider opening an office in Tokyo with a view to developing exports of non-traditional items to Japan and other countries of the region.

(27) Japan is a market for quantity and speed. In order to enable Indian exporters to meet unexpected orders, they should be supplied with adequate inputs speedily - whether domestic or imported. Further, manufacturing units should give preference to export orders and should be willing to execute bigger by working overtime or by sub-contracting.

(28) In case of non-traditional exports to Japan like maize, cotton yarn, grey cloth, machinery components and spares, India should not rule out the possibility of link deals.

(29) The scope for setting up joint ventures in India should be explored, for mining iron ore, forgings, castings and machinery spares, on the basis of Japan's interest in importing the products of such joint ventures.

(30) India should enter into a double taxation agreement with Japan to attract more Japanese capital.

(31) India should also explore the possibilities of joint ventures between India and Japan in establishing industries in third countries.

(32) India can learn the methods of Japan's export organisations - especially Japan's External Trade Organisation. A thorough study should be made of the Japanese Export Organisation to improve India's export promotion organisation on the lines of JETRO.

PART ONE

ECONOMY

Chapter 1

ECONOMY

Land and the People

Japan is located along the northern Pacific coast of the Asian Continent. It consists of four main islands (Hokkaido, Honshu, Shikoku and Kyushu). The total area of Japan is 370 thousand sq. kms. The most important and the largest of the islands is Honshu where the principal cities of the country (Tokyo, Yokohama, Nagoya, Kyoto, Osaka and Kobe) are situated.

Japan has a complex geographical build and a major portion of the land is covered by forests. About 4/5th of the area is mountainous, only a small percentage of the land being arable. It is in a volcanic region and there are frequent earthquakes. Japan has also many natural harbours.

Land utilisation in Japan is as under:

<u>Land utilisation</u>	<u>Area ('000 hectares)</u>	<u>% to the total area</u>
Agricultural arable land and land under permanent crops	5,996	16
Permanent meadows and pastures	948	3
Forest land	25,402	69
Other areas	4,620	12
<u>Total:</u>	<u>36,466</u>	<u>100</u>

Source: FAO - Production Year Book, 1967.

India has no locational advantage with Japan as compared to U.S.S.R., Australia and U.S.A., who are important competitors. As compared to Europe, India has a definite advantage which has further increased with the closure of the Suez Canal. The following figures clearly indicate it.

<u>Distance from Yokohama</u>	<u>(Distance in N. Miles)</u>
Vladivostok (U.S.S.R.)	1050
Calcutta (India)	4100
San Fransisco (U.S.A.)	4540
Perth (Australia)	5300
London (U.K.) via Cape	15000

Climate

Japan's climate differs very much from place to place due to the continental air current. There are plentiful rains. The temperature varies between -28°C to $+36^{\circ}\text{C}$.

Population

Population surveys are available since 1721. Japanese population remained static around 30 million during 130 years of isolation upto the middle of 19th century. After the Shogunate ended its isolation policy,

Japan's population started rising. It increased from 35 million in 1874 to 100 million by the middle of 1967 and is expected to be 104 million by 1971. The highest rate of growth of population was during the "baby boom" period after World War II. After 1950, the rate of growth started declining and now has become 7 per 1000. Japan is one of the most densely populated countries. The ratio of male to female upto 1940 was in favour of males, but in later years, the population ratio of males to females has declined and in 1966 there were 96 males per 100 females. The following table gives in brief the trends in the population structure of Japan:

Trend of Population Structure in Japan

Year	Population (Million)	Male (Million)	Male over 100 females
1872	34.8	17.6	103.1
1900	43.8	22.1	101.2
1925	59.7	29.7	101.1
1950	83.2	40.8	96.3
1960	93.4	45.9	96.5
1965	98.3	48.2	96.4
1966	99.1	48.6	96.4
1967	100.2	N.A.	N.A.
1968	101.7	N.A.	N.A.
1971	104.4	N.A.	N.A.
(Expected) 1985	120-150	N.A.	N.A.

Sources: (1) Bureau of Statistics, Office of the Prime Minister -

- i) Statistical Handbook of Japan
- ii) Japan Statistical Year Book, 1968.
- (2) Economic Planning Agency - Long-Term Projections of Japanese Economy.

Unlike many other countries, the population of Japan is concentrated in cities; 68 per cent of the total population lived in urban areas in 1965. Tokyo had a population of 8.9 million in 1965 which now is estimated around 10 million; it is today the largest city in the world. Osaka (3.2 million), Nagoya (1.9 million), Yokohama (1.8 million), Kyoto (1.4 million), Kobe (1.2 million) and Kitakyushu (1 million) are the chief cities and commercial and industrial centres. The trend towards urbanisation which started at the beginning of the 20th century is still continuing and it is expected that by 1985 more than 80 per cent of the population may be living in cities due to the growth of industries and service sectors and the contraction of employment in agriculture.

Labour and Employment

In Japan, the minimum legal age for employment is 15 years. In January 1969 out of the total population of 102 million, 77 million were of the age of fifteen years and more. Out of them 48 million or 62 per cent was the labour force. Due to the rapid growth of the economy, there is hardly any unemployment. In January 1969, out of 48.5 million labour force, 47.9 million or 99 per cent

were employed. In Japan the largest number of persons are employed in manufacturing followed by agriculture and forestry, wholesale trade and services. The relative importance of various sectors in employment has changed as under:

Employed Persons by Industry

(In million)

Name of the Industry	1955	1960	1966
Agriculture & forestry	16.4	13.9	11.1
Fisheries	.5	.6	.6
Mining	.5	.5	.3
Construction	1.8	2.4	3.3
Manufacturing	7.6	9.5	11.9
Trade, finance and real estate	7.2	8.5	10.0
Transport, communication and other utilities	1.9	2.5	3.2
Services	4.5	5.5	6.6
Government	1.2	1.3	1.4
Total:	41.2	44.6	48.5

Source: Bureau of Statistics, Office of the Prime Minister - Statistical Handbook of Japan, 1967-68.

It will be observed from the above data that the labour force employed in agriculture and mining has declined over a period of years because of mechanisation; and increased opportunity at higher wage rates in other

sectors. The rate of growth has been the highest in construction followed by utilities. Employment in manufacturing and trade has also increased very fast due to the high growth rate in Japanese industry and trade. These trends are expected to continue in future as would be evident from the following projections made by Japan's Economic Planning Agency:-

Employment Structure

Sector	Number Employed (Million)				Growth Rate (% p.a.)		
	1955	1960	1965	1985	1955-60	60-65	65-85
Primary	16.1 (41.0)	14.2 (32.6)	11.7 (24.7)	4.5— 5.0 (8-9)	-2.5	-3.8	-4.7— 4.2
Secondary	9.2 (23.5)	12.8 (29.2)	15.2 (31.9)	23-24 (44-42)	6.7	3.6	2.3— 2.1
Tertiary	13.9 (35.5)	16.7 (38.2)	20.7 (43.4)	26.0— 27.0 (47-49)	3.7	4.4	1.1— 1.3
	39.2 (100.0)	43.7 (100.0)	47.6 (100.0)	57.5-55 (100.0)	2.2	1.7	0.7

Source: Japan's Economic Planning Agency - Long-Term Projections of Japanese Economy, Sept. 1968.

Note: Figures in brackets are percentages of the total.

Wages

Once Japan had the advantage of cheap labour. However, gradually with the full employment situation caused by rapid industrialization and a general rise in the standard of living, the wage rates in some industries like textiles have risen faster than productivity just as the general wage rate has risen faster than in industrialised countries. It is likely that in future, the rate of rise in wages in Japan will continue to be more than the rise in productivity in more industries, and more than in U.S.A. and other industrialised countries. Wages are showing a rising trend regardless of business conditions because of the shortage of labour. In all sectors, there is a mounting pressure for wage increases. The wage gap between large and small enterprises is narrowing and the wage gap due to age which was the important feature of the Japanese wage system is also being gradually closed. This trend is partly being prompted by the big industries who introduced the concept of equal pay for equal work. With the introduction of the same wage rate in the big and the small units, the smaller units, which were mainly in the light industries for processing materials produced in the large scale

sector, are finding it difficult to compete either in the domestic market or in the export market. Therefore, every year on an average, about 8,000 units are closing down. The number of light industrial establishments have declined from 553,000 in 1960 to 398,000 in 1967. This trend is likely to be accelerated in future (1965-85) when the economy is expected to grow at the rate of 7.3 to 8.2 per cent per annum and the per capita income will reach a level of ¥ 3,000. There will be a greater shortage of labour resulting in a further rise in wages. While the labour force was increasing at the rate of 2 per cent per annum in 1965-70 it is expected that the increase in labour force will drop to 0.7 per cent per annum during 1970-75 and to 0.4 per cent per annum during 1975-80. Thus in the last few years wages were rising at the rate of 10 per cent per annum, while the rise in future will be even faster.

Growth of Economy

The rate of growth of the Japanese economy has been one of the highest in the world. During 1958-67 the national income increased from Yen 9,400 million (¥ 26 billion) to Yen 34,400 billion (¥ 94 billion) showing an increase of 13.8 per cent (compound) per annum.

Due to the rapid growth in her income, Japan has become one of the richest nations of the world. In 1968, in the free world, only U.S.A. had a higher national income than Japan.

The growth rate of the Japanese economy is expected to be 7.5 to 8.3 per cent per annum during 1965-85; the total GNP will reach the level of the Yen 130,000 - 150,000 billion (£ 360 - £ 420 billion) and the per capita income around £ 3,000. It is expected that the GNP will exceed the level of USA. Therefore, Japan, already a big market, will have a much greater propensity to buy and will offer chances, to other countries for large exports. It is estimated by the Japanese Planning Agency that during 1965-85 imports will rise at the rate of 9 to 9.6 per cent per annum.

Economic Sectors

A significant aspect of Japanese growth is not merely the rate, but also the considerable change in the structure of production. The rate of change has been spectacular in most fields. During 1955-66, though the farm population had been dwindling at the rate of 557,000 per year, agricultural production was continuously

expanding. In the field of industries there has been a very rapid rise. The Index of industrial production with 1965 as 100 has increased from 83 in 1963 to 163 in August 1968, i.e., it has nearly doubled in a period of less than five years. The following table gives the breakdown of national income by industrial origin. It will be observed therefrom that there has been growth in all sectors. However, the rise in the level of income in the manufacturing sector from 1.5 billion in 1955 to 7.8 billion in 1966 was most spectacular, due to the establishment of many new industries through local savings and inflow of foreign capital, especially from U.S.A.

National Income by Origin

(000,000 Million Yen)

Origin	1950	1960	1966
Agricultural, forestry & fisheries	1.6	1.9	3.2
Mining	.1	.2	.3
Manufacturing	1.5	3.6	7.8
Construction	.3	.7	2.0
Utilities	.6	1.2	2.6
Trade	1.1	2.1	4.8
Finance, insurance, etc.	.4	1.0	2.6
Services	.8	1.2	3.6
Government	.3	.5	1.3
Net income from abroad	.03	- .02	- .1
Total	7.0	12.6	28.2

Source: Economic Planning Agency quoted by Bureau of Statistics, Office of the Prime Minister, Statistical Handbook of Japan, 1967.

It will also be observed from the above table that manufacturing is the most important sector accounting for 27 per cent of income, followed by trade which accounts for 17 per cent. Services have the third place; agriculture is, relatively, a small sector, accounting for 11 per cent of income and 23 per cent of population.

Agriculture: In Japan only a small percentage of land is arable. In 1968, a little over 6 per cent of the land was used for cultivation which is the same as a decade ago. During 1955-66 there has been a decline in the agricultural population. Even now 23 per cent of the population is employed on farms. The cultivated land per capita in Japan at 0.06 hectare is much lower than an average of .25 hectare for Asia and 0.44 hectare for the world. In the 1960s, the main emphasis in Japan was on food crops aimed at self-sufficiency in rice, which has been achieved. Through intensified cultivation, better seeds, improved chemical fertilizers, insecticides and machines, it has been possible for Japan to increase the yield rates to one of the highest in the world. Rice, wheat, barley, soyabean, cotton, silk & tobacco, are the principal crops. Now, emphasis is being placed on crops required as raw materials for industries.

Table 1 gives data on production, yield and imports of principal agricultural products. This suggests that while imports of rice have declined, those of wheat, soyabean and tobacco have increased (largely from U.S.A.) and those of cotton have remained static. Of these imports, India may consider only cotton and tobacco.

Forestry: In Japan, nearly 69 per cent of the total land area is under forest. Of the forest area, 58 per cent is privately owned and the remaining is owned by the Government. Japan is one of the largest producers of wood having the fourth position in the world. Despite this, the felling is not adequate to meet the rising demand of timber and hence there are substantial imports. Bamboo, also an important forest product, is used largely for manufacture of paper; some handicrafts are also made out of bamboo.

Fisheries: Fish has been the main source of protein in the Japanese diet for centuries. It is also a source of export to foreign countries. Japan has the largest catch in the world after Peru. The large catch has been possible not only due to locational advantages but also

the advanced techniques of fishing adopted. A large percentage of the fish is deried or canned for exports to industrialised nations. Even so, there are imports of certain varieties of fish like shrimps and prawns from other countries, and it is in this field that India can hope to have a market.

Mining and Manufactures: The industrial revolution in Japan began towards the end of the 19th century, about a century later than in the West. In the 30 to 40 years that followed, Japan became an industrialised nation, largely based on imported raw materials. Till the beginning of World War II, Japan dealt mainly in consumer goods and textiles were the most important item. After the Second World War, Japan has made further progress and now she is a manufacturer and exporter not only of consumer goods but also of heavy items like ships, iron and steel, automobiles, heavy chemicals, industrial machinery, telecommunication equipment, etc. There has been a major shift from light industries to heavy industries. Japan is producing practically every item. The following data would clearly establish that capital goods and heavy industries are growing faster than light and consumer industries.

Industrial Production Indices

(1965 = 100)

	1960	1963	1967	1968
Capital Goods	49.0	76.0	144.0	179.8
Iron & Steel	54.9	78.3	149.6	168.4
Non-ferrous Metal	61.3	82.1	135.9	162.9
Machinery	50.4	90.7	151.0	193.1
Chemicals	55.7	80.5	132.3	153.3
Paper & Pulp	60.4	86.3	125.0	137.5
Textiles	69.0	84.4	120.0	127.2
All Industries	58.0	83.2	134.8	158.3

Source: Ministry of International Trade and Industry
quoted by Economic Planning Agency - Economic
Statistics, March 1969.

Japan is not blessed with an abundance of mining or other industrial raw materials. The industries have, therefore, to be largely based on coal, minerals or other imported raw materials. With the increased supplies of electricity, however, the dependence on imported coal has reduced and in 1966 coal and lignite accounted for only 27 per cent of the total supply of energy. The steel industry is totally based on imported iron ore for which India is one of the big suppliers. The Textile industry is also based on imported cotton, and the same is the case with non-ferrous and chemical industries. Despite this heavy dependence on imports, Japan is able

to compete in almost any industry in the world. This is mainly because of the high level of productivity Japan has achieved. In recent years, Japan has also greatly developed her tele-communication, automobile and shipping industries and has become one of the cheapest and most important suppliers in the world market. In the earlier stages, Japan had been considered as a producer and exporter of cheap goods, but this is no longer the position. In spite of high capital costs (because of recent development) and high cost of materials (because of imports), Japan has been very competitive in overall costs, because of the high levels of productivity, economy in the use of materials, labour costs which had been low till recently, and maximum economy in handling. This is well illustrated by citing the comparative costs of steel in different countries producing steel:

Steel Cost Per Ton in Major Countries

(Value £ per ton)

	Japan	U.S.A.	U.K.	W.Germany
Capital Cost	20.7	16.6	11.4	14.6
Monetary cost	9.5	1.4	2.4	3.3
Depreciation cost	11.2	18.1	9.0	12.4
Labour cost	19.8	33.1	53.1	39.5
Raw Material cost	44.4	36.0	38.5	43.5
Total	84.9	135.7	103.1	98.6

Source: Oriental Economist, July 1968, p.19

Future Growth Prospects

In the last ten years (1957-67) the Japanese GNP increased on an average at the rate of 10 per cent per annum which is the highest among the rates of growth attained by industrialised countries of the world. Even so the per capita income of Japan in 1966 at \$ 700 is much less than \$ 3100 of U.S.A., \$ 1600 of West Germany and \$ 1500 of France^{1/}, which suggests that Japan has a long way to go to catch up with these countries. There are sections of the population, especially in the agricultural sector, where the income level is much lower than the average which is causing a great social problem. This is one reason for Japan's having economic development plans since 1958. However, these plans are only indicative, stating the feasibility and desirability of development in particular fields. Most of the initiative remains in private hands. The Government only gives financial and other support for achieving these targets.

^{1/} Calculated from Population and Income Statistics published in International Financial Statistics, August 1968.

During 1957-67, income has doubled due to enormous investment by private enterprise in plant and equipment. Until about 1961 the insufficiency of capital stock and excess of demand characterised the basic pattern of the Japanese economy. During the growth period (1961-67), advanced technology was imported from U.S.A. and Europe, and the supply of skilled labour increased considerably. These favourable conditions encouraged enterprises to invest, which led to a phenomenal expansion in investment. The rapid rise in investment increased the effective demand for new investment having a multiplier effect which helped the rapid growth of the economy. The favourable conditions which led to the high growth rate also created many problems of finance, labour, balance of payment, etc. In future, however, the growth rate has been planned in such a way as to minimise these problems.

The supply capacity in the economy is determined by several factors, fundamental among which is the labour force and the rise in productivity. In Japan a full employment situation has been reached (99% of the labour force is employed), so that in future, there will be difficulty in getting adequate labour. Even in the past there have been difficulties in getting an adequate

number of skilled labour. This can be partly compensated by the rise in productivity as has been achieved in the past. However, there will be need for a considerable number of new entrants to the labour force which is unlikely to happen in future, due to the declining birth rate. The increase in the number of young people going to schools is reducing the entry to the labour force. In the past decade, a large number of farmers quit agriculture and joined the industries; the scope for such a shift has been very much reduced for the future. Due to these factors, the Government and private thinking is to decelerate the future growth rate. This will be clear from the following data published by Economic Planning Agency in Japan.

Long-Term Economic Growth of Japan

	1000 Billion Yen		Growth Rate	
	at 1965 series		% p.a.	
	1965	1985	1955-65	1965-85
1. Gross National Product	30.50	130-150	9.7	7.5 - 8.2
2. Private Consumption	17.02	74-81	8.4	7.6 - 8.1
3. Gross Fixed Capital Formation	9.67	36-50	15.2	6.8 - 8.6
4. Gross Private Investment in Plant and Equipment	4.83	15-21	16.2	5.8 - 7.6
5. Private Residential Construction	1.79	10-13	15.4	9.0 - 10.9
6. Government Fixed Capital Expenditure	3.05	11-16	13.4	6.6 - 8.6
7. Exports & Factor Income from Foreign Services	3.56	22	14.4	9.5
8. Imports of Goods and Services	3.20	18-20	15.2	9.0 - 9.6
9. Balance of Payment	+0.36	+2-4		

Source: Japanese Economic Planning Agency - Long Term Projections of Japanese Economy, September 1968.

In Japan, already the contribution of the primary sector to the GNP has been small. In future, with a faster growth rate of industry and service sectors, this position will be further intensified. This is self-evident from the following figures:

Production by Sectors

Sector	'000 Billion Yen			Growth Rate	
	1955	1965	1985	% p.a. 1955-65	1965-85
Primary	2.22 (22.4)	2.90 (11.8)	5 (5)	2.7	2.8
Secondary	2.61 (26.3)	8.75 (35.6)	48-55 (46-48)	12.8	8.9-9.6
Tertiary	5.09 (51.3)	12.94 (52.6)	47-59 (47-40)	9.8	6.7-7.9
Total:	9.3	24.58	100-120	9.5	7.3-8.2

With the fast growth rate of industries and slow growth rate of agriculture, there will be increased imports both of primary products and industrial raw materials and components. Imports are expected to rise to \$ 50,000 million per year by 1985 at 1965 prices against the imports of \$ 10,220 million in 1968. This should give

considerable scope for India to sell both consumer items and industrial products to Japan. The expectation is that in future there will be a greater dependence upon imports of labour-intensive components and spares, and semi-finished products. It is also expected that Japan may give up production of certain simple items like coarse cotton yarn, grey cloth and certain light engineering industries products of the small scale sector. This will give India scope for selling these items to Japan and to those countries for whom Japan is the principal supplier at present.

As wages are increasing in Japan; a reduction is expected in industries in the small and less sophisticated sector producing fabrics and made-up goods, casted spare, electronic components, spares for automobiles, spinning of cotton yarn using less automation than big units. For the additional demand, there will be greater dependence on imports. Industries in Japan, are no doubt, adopting greater automation, but there is a (consensus of) growing opinion that certain lines of production will have to be given up because it will be economical to import the

items rather than produce locally. This will open up prospects for India and other countries for selling intermediate products. The rise in wage rates in Japan will also lead to their choosing to set up industries in other countries of the region. Japan is already establishing labour-intensive industries in the Republic of Korea and Taiwan with a view to importing the output of these industries to serve as inputs for Japanese industries. Japanese industrialists are also thinking of developing industries abroad with a view to competing in third countries where they find it difficult to sell Japanese goods because of rising domestic wage cost. To begin with, they are thinking of establishing manufacture of electronic components and casting units in neighbouring countries. This may open up prospects for India too, but there are many problems in attracting Japan to India either for the purchase of the intermediate products or for establishing industries whose products will be exported to Japan.

The major items which in future, Japan would like to import rather than produce herself are simple castings, electronic components, certain light and heavy

engineering components and products such as forgings, compressors, hydraulic machinery, spark plugs, other spare parts for automobiles, small transformers, switch-gears, components for office machinery, simple machine tools, centrifugal pumps, railway vehicle components, yarn, grey cloth and leather.

PART TWO

TRADE

Chapter 2

MARKET STRUCTURE

Trading Companies

Japan as a market is dominated by the activities of her trading companies. It is estimated that 70 per cent of imports and 80 per cent of her exports are handled through trading companies.^{1/} In domestic sales they have an important role, and also in trade outside Japan between two or more non-Japanese countries. Many joint ventures are initiated and finalised through these firms, who belong to the big industrial groups. Their interest is wide in banks, finance companies, shipping and other activities. Only a few of them are specialised traders while most of them are "general traders" who deal in almost every activity of industry or trade.

Mitsubishi Shoji Kaisha Ltd., Mitsui and Co., Marubeni Co. Ltd., and C. ITOH & Ltd., are known as the "Big Four" and handle about one-half of the total

^{1/} The Oriental Economist, June 1968, Vol. 36, No. 687, p.59.

imports and exports of Japan. Toyo Menna Ltd., Nichimen and Co. Ltd., Sumitomo Shoji Kaisha Ltd., Kanematsu-Gosho Co. Ltd., Ataka & Co. Ltd., Chori and Co. Ltd., Kinsho-Mataichi Co. Ltd., Itoman Co. Ltd., Okura Trading Co. Ltd., Nozoki & Co. Ltd., Sankyo Seiko Co. Ltd., Yuasa Trading Co. Ltd., Tokyo Boeki Ltd., are other big firms. These firms together account for two-thirds of the total imports and three-fourths of the total exports of Japan. Of course, there are another 3,000 trading companies but each one of them deals in a few selected products and the relative volume of their business is small. From this it would be clear that for developing trade with Japan, it is necessary to have close links with the big trading houses, which should not be difficult as most of these big companies have more than one office in India covering Delhi, Calcutta, Bombay and Madras.

However, one cannot ignore the end users. In the initial stages of negotiation the trading company and the end-users together negotiate with the selling company. One has to convince the buying and technical department of the end-user about the suitability of the product and then the trading company examines

whether the seller is offering the lowest price or not. If the trading company is satisfied with the price, the deal is struck; otherwise they carry on negotiations with other suppliers.

Negotiations with trading cos. are, however, time consuming. As they have branches all over the world, they collect information on prices, quality, quantity and other terms of sales offered from various countries. In the final negotiation they consider the overall gain rather than separately for each subdeal. They may lose in buying or they may lose in selling but their object in dealing with the foreign company is to maximise the overall gain. Therefore, these companies often have simultaneous purchase and sale deals.

Activities of Some of the Major Trading Firms

In order to understand and be equipped for negotiating with the right parties and to improve India's own export efforts, it is necessary to study the activities of some of the major trading houses.

Mitsui & Co. Ltd.:

Mitsui & Co. Ltd. is the oldest and the biggest trading house in Japan. It had the first place in the volume of business till 1968, when it lost the position to Mitsubishi. It is the best known Japanese firm in the world with a wide network of offices all over the world and in Japan. In 1968, its sales were expected to be \$ 6389 million. This is a trading firm with a major interest in metals (34%), machinery (17%), chemicals (14%) and foodstuffs (13%). Steel is the most important item in the metals group. Some of the internationally known companies like Tokyo Shibaura Electric Company Ltd., Ishikawajima Harima Heavy Industries and Toyo Rayon are its customers.

The company is known for its aggressive overseas sales activities. It is also engaged in developing raw material sources in foreign countries by supplying them technical know-how with a view to importing the products so developed. It is also very active in exporting industrial plants. The company has been striving hard to increase business between India and Japan and also

between India and other countries. It is doing joint venture projects in the South-East Asian countries. It is exporting many Indian products, viz., fish, salt, maize, precious stones, oil cake, cotton and cotton yarn, silk fabrics, iron ore, pig iron, steel, aluminium, automobile components, transmission towers, etc., to third countries.

Mitsubishi Shoji Kaisha Ltd.:

Though this is considered the second largest trading firm, in 1968, its sales at \$ 6944 million were higher than those of Mitsui & Co. It is the central trade organ of the Mitsubishi Industrial group. It is backed financially by Mitsubishi affiliated monetary institutions such as Mitsubishi Bank, Mitsubishi Trust and Banking Company, Tokyo Marine & Fire Insurance Company and the Meiji Mutual Life Insurance Company. Three transport and warehousing companies namely Nippon Yusen Kaisha, Mitsubishi Transport Co. Ltd., and Mitsubishi Warehouse Co. Ltd., are owned by the firm to facilitate the shipping and warehousing of the products dealt with more economically than through third companies. The Co.

trades with some of the powerful industrial giants like Mitsubishi Heavy Industries Ltd., Mitsubishi Electric Corporation, Mitsubishi Steel Manufacturing Company Ltd., Mitsubishi Oil Company Ltd., and 23 other manufacturing companies dealing in construction, machinery, refrigeration and air-conditioning equipment, nuclear reactors, special steel forgings, aluminium, alloy products, chemicals, plastics, cement, paper, rayon and acrylic fibre. Therefore, in one's efforts to sell components and spares or new materials required by these industries, one has to trade through Mitsubishi Shoji Kaisha Ltd. Though the Company has been dealing in general merchandise also this accounts for only a small part of their activities. They have been mostly specialising in chemicals, provisions, machinery, metals and textiles. This company is very aggressive in developing sources of supplies of those raw materials which serve as inputs for the industries covered by the Mitsubishi group, and in developing exports of machinery, machine tools, castings and provisions.

Marubeni Iida Company Ltd.:

Marubeni is the third largest trading house of Japan. Till 1955, it used to specialise in textiles but now it has become a general trader. In 1967, textiles, metals, machinery and chemicals each accounted for 26 per cent of its sales, the remaining 22 per cent being foodstuffs and raw materials. It has close ties with Fuji Bank group enterprises and is specially interested in agricultural products. It is developing sources of supply in South-East Asia. In order to expand the exports of foodstuffs and other agricultural products, it should be more advantageous to develop closer link with this house. Marubeni is also interested in other products and joint ventures.

C. Itoh & Company Ltd.:

C. Itoh is the fourth largest trading house of Japan. It has two major banks namely Sumitomo Bank and Dai-Ichi, but so far has not identified itself with any single industrial group. It specialises in textiles which accounts for 40 per cent of its sales. In order to develop the exports of raw cotton, cotton yarn and

textile fibres, special efforts may be made through this company. Metals and machinery account for 26 per cent of its sales, fuels, chemicals and timber 20 per cent and the rest 14 per cent by food and agricultural products. The one important feature of this house is that while others have become largely commission agents and work on behalf of the end users, C. Itoh still plays the role of a sort of 'gambling merchant'. In its future activities it is learnt that it will be placing greater emphasis on petroleum products, iron and steel and machinery. .

Toyo Menka Company Ltd.:

Toyo Menka Company Ltd., the fifth biggest company, is associated with the Mitsui group of industries and therefore its activities are more or less similar to those of the Mitsui and Co.

Nissho-Iwai Co. Ltd.:

Nissho-Iwai Co. Ltd. is the sixth biggest training company. This company has interest in heavy machinery, iron and steel, lumber, and industrial salt.

It is also marketing under-water cameras, television equipment, etc.

Organisations of Trading Companies

The Japanese trading companies have impressed the entire world as successful foreign marketing institutions. Whenever any foreign firm decides to penetrate the Japanese market it ties up with one or the other of these leading Japanese firms. The trading companies work as distributors for foreign firms and import foreign technology into Japan and export Japanese technology to other countries. They have an important role in the high growth rate in Japanese exports.

The President is the head of the company, advised by a Board of Directors, who are generally full time employees of the company. Under the Board, there are various divisions dealing with specific group of products. The number of divisions depends upon the size of the company and the lines of business. Each division has a number of sections dealing with specific products who actually negotiate for purchases and sales. Each division has a planning section which studies local

and foreign markets for each product, and passes on information to the head of the division.

Besides the commodity divisions, there are also area divisions whose job is to develop trade with specific territorial areas. The number of employees in each division and section depends upon the number and the nature of the products handled. All the "big four" companies employ more than 7,000 persons each. The foreign offices are under the control of the area divisions. The organisation of each foreign office depends upon the volume of business with the respective country. Most of the offices are full-fledged but in some places there are only representatives or small liaison offices, expanding as business expands. In the case of the more important trade centres there is a 24 hour hired cable service. The policy of these companies is to keep the same person in the same country for a long period so that expertise and local knowledge may be built up. There are frequent consultations and visits from the foreign country offices to the head office and vice versa. There are regional conferences in each region to discuss the problems of trading and

to formulate the strategy. The State Trading Corporation of India and the leading Indian export houses recently established, would be well advised to copy some of the features of the trading companies specially in regard to division of work both commoditywise and areawise.

Direct Method of Purchase

While trading firms have a dominant place in Japan's trade, 30 per cent of the imports and 20 per cent of the exports are done direct by the large manufacturing companies as in many other countries. Like trading companies some of them have their own fleet of ships for exporting to important markets. For example, the Nissan Motor Company which produces over 1.2 million automobiles a year have their own ships for exporting to America. The ships while returning from U.S.A. bring food products. The company feels it is an economical way and is planning to expand the fleet of ships.

As a substantial volume of business is handled direct by the manufacturing companies or wholesalers, attention has to be paid to them apart from the trading firms.

Retailing

In the retail trade, chain stores and super markets are becoming important. In 1966, out of the total retail trade of ¥ 29,000 million, departmental stores and chain stores accounted for ¥ 4,444 million. In future they are likely to become more important than in the past, which should be clear from the following projections:

Retailers by Type of Business

('000 million Yen)

Type of the Retailing	Value of Sales	
	1966	1972
Departmental stores	1,000	2,000
Chain stores (with more than ten shops each)	600	3,000
Other incorporated retailers	5,900	10,500
Unincorporated retailers	2,900	4,900
Associates in voluntary chain stores	500	2,400
Self-service system	600	2,600
Total	10,500	20,400

Source: Mitsubishi Research Institute - Monthly Circular, February 1969 - An Article on Super Market in Japan.

For developing the export of consumer items it will be worthwhile to develop direct contacts with some of the leading chain stores.

In 1967, the departmental stores as listed below, were most active in retail business. For several items like diamonds and jewellery, silk, canned food products, imitation jewellery, handicrafts, etc., we must develop contacts with some of these departmental stores.

Big Retail Stores in Japan

Name of the Company	Sales (in million Yen)	No. of Shops	No. of Employees
Daimaru	118.2	4	8,000
Mitsukoshi	111.2	10	10,000
Takashimaya	105.1	4	8,500
Matsuzakya	80.6	5	8,192
Seibu	63	7	6,127
Dai-Ei	58	34	5,200
Isetan	49.8	2	4,069
Hankyu	47.0	4	2,969
Tokyo	42.5	3	3,017
Mauri	36.0	15	3,268

Monopoly Organisations

Though Japan believes in free trade, in a few items namely, liquor, tobacco and salt, there are monopoly organisations for imports, distribution and fixation of prices. Therefore, for the sale of these products one has to negotiate with these monopoly organisations, except in cases where they have given the right of buying or selling to the trading companies.

Terms of Sales, Credit, etc.

Japan is a very unconventional market and is very flexible in the terms of sales and credit depending upon the exigencies of the situation. Therefore, it is very difficult to generalise on these terms but the following factors will throw some light on the general pattern.

Japan has a favourable balance of trade which is further improving year after year. Most of her imports except those of capital goods from industrialised countries are on cash or normal commercial credit of 90 to 180 days. The minimum rate of interest on loans

in Japan is 7.3 per cent since August 1967. Therefore, even a short term trade credit of 90 days would amount to nearly 2 per cent saving over cash purchases and hence credit is welcomed. However, by and large, imports of the raw materials is through letters of credit except some items like soyabean - and wheat from U.S.A. which are imported under special arrangements. Imports of items like tobacco, salt and alcohol is handled through the Japan Monopoly Corporation under its own terms depending on the market conditions.

Imports of semi-finished products, components, spares, machine tools and other light engineering products are also generally on cash basis. However, many big suppliers make long-term arrangements with Japanese trading companies who have been appointed sole selling agents. The rate of commission charged ranges from 2 to 25 per cent, depending on the product. On the fast moving items like crude materials and semi-finished products, the rate of commission is 2 per cent while in the case of machinery and those light engineering products which require after-sales service and stocking of the products, the commission goes upto 20 to 25 per

cent. In some of the products like iron ore and other industrial raw materials, the trading companies and/or the manufacturing units have developed alternative sources of supply in foreign countries by investing large funds, the foreign suppliers agreeing to supply the material over a long period of years. Often, the price is not settled for the entire period of the contract but the quantity is agreed upon in advance. India is also selling iron ore and salt under these arrangements. The Japanese manufacturing units prefer assured supplies of the raw materials and components. This would indicate that it would often be desirable to come to long-term agreements.

Japan, by and large, depends on the imports of inputs for its industries. In order to assure adequate supplies and continuous running of industries, adherence to the delivery period is one of the vital factors. The Japanese manufacturing policy is not to depend on one source, even if its price is the lowest and the supply is for the entire requirement. India has not yet succeeded in building a favourable image as a supplier of

products in time; most of the big companies have strong doubts about India's capacity to supply in time, and this is one of the important reasons for the reluctance to buy components and spares from India.

In export also there is no one system of sales. The Japanese are very pragmatic in their approach and offer terms which suit the particular market. However, the bulk of the exports of food products, industrial raw materials, semi-finished and finished non-durable products is through letters of credit. However, there are many types of credit which the Japanese Government and/or the Japanese manufacturers or trading houses give to the foreigners for buying the materials. In the case of machinery, the bulk of the sales are against the credit granted by the Government of Japan, Export-Import Bank of Japan or direct by the industrial or business houses. The credit ranges between 2 to 20 years depending upon the type of machinery, the political situation and the assessment by the Japanese companies about the creditworthiness of the buyers.

Port Facilities

Japan's long and rugged coast-line provides for deep sheltered harbours within easy reach of industrial areas. There are 1058 ports, comprising 17 specially designed ports, 80 major ports and 961 local ones. Forty per cent of the cities in Japan are situated on ports and 60 per cent of the population lives in these cities. All the big thriving cities like Tokyo, Kobe, Yokohama, Nagoya, Osaka and Kyoto are big ports. Some of the industries prefer to have their own special ports with a view to minimising the handling cost for the inputs and the outputs. Some of the plants which were earlier located in the interior have moved down to the coast. At the end of 1965 there were 817 factories having their own exclusive wharves. There is a continuous tendency on the part of industries to move to the coast.

Due to industry's heavy dependence on ports both for coastal trade and foreign trade, Japanese ports are overburdened in spite of their expansion. There is great congestion in most of the ports, and many ships have to be unloaded through lighters mid-stream. There is

about 4 million tonnes of increase in the cargo handling volume for every ¥ 100,000 million increase in the GNP. On this basis, it may be estimated that during 1965-85, the volume of cargo will increase by 400 million tonnes. This will create a greater problem of congestion and handling. Japan is trying to solve this problem by deepening its ports, building bigger ships to carry loads upto 150,000 tonnes, and utilising more efficiently the port facilities.

Shipping Facilities from India

There are 5 to 6 sailings per month from Bombay, 10 to 11 from Calcutta and 2 from Madras, to Japan's ports. Besides these services, charter ships are engaged to carry iron ore. In terms of the number of ships, the services at present appear to be adequate. However, due to lack of port facilities in India to berth bigger ships, the ships which sail from India are comparatively of lower capacity than that of ships from some of the other countries. For example, while the maximum size of the vessel from Vizag is 35,000 tonnes, the vessels from Australia and Brazil have a capacity upto 100,000 tonnes;

they are even expecting to increase the size of their ships to 150,000 tonnes. Because of the smaller size vessels from India, the freight rate from Calcutta is \$ 7 per tonne while from Brazil and Argentina with longer distance is \$ 4-5 per tonne, on ore. Therefore, in order to increase the export of bulk items like iron ore and maize, it will be very necessary for India to improve port facilities.

The freight rates from India also have wide variations from product to product. For example, freight rate on tyres and tubes per kg. 1000 is \$ 103 from Bombay against \$ 22 on fabrics. Other non-traditional items like paper, medicines and pharmaceuticals, dyes, pipes and tubes have to bear a freight between \$ 131 to \$ 51 per tonne which is much higher than \$ 19 to \$ 29 for cotton and textiles. In order to expand trade, it will be necessary to rationalise the freight rates and reduce them, especially in the case of heavy manufactured products, to make India more competitive.

Role of Trade Missions

Trade missions play a very important role in Japan. The trade missions of East-European countries and China who have a substantial volume of trade are very active in improving the image of their respective countries, in developing contacts and in making other export promotion efforts. As compared to the other countries, the services provided by the Indian Embassy are relatively insufficient especially with regard to market intelligence, trade contacts, publicity and other services. Furthermore, contacts between Japanese importers and the Indian Embassy are not as effective as of some of the other countries.

Exchange Rates

The official exchange rate is Yen 360 to a US dollar and Yen 48 to an Indian rupee. These exchange rates have been adopted throughout this study. However, in market dealings the Yen-rupee rate has fluctuated from Yen 47 to Yen 47.6 to an Indian rupee and there is some downward tendency against India. While in November

1967 a rupee was equivalent to Yen 47.8, in November 1968 it was equivalent to Yen 47.2.^{1/}

Weights and Measures

In Japan, metric weights and measures are used in domestic transactions as well as in imports. However, in exports, they are very flexible and supply goods according to weights and measures required by the foreign buyer.

Japanese standards, which are very near the U.S. standards are used in machinery. In order to sell machinery, one has to adhere to these standards and the Japanese specifications.

Language

In Japan, English is a compulsory language upto the higher secondary level, but for all day-to-day business discussion, negotiation and correspondence Japanese is preferred. To speak, write and understand the

^{1/} Based on rates published in the Reserve Bank of India between December 1968.

Japanese language, is to be in an advantageous position over others. In the opinion of many leading Japanese companies, language is a barrier in the expansion of trade with India. If marking and labelling is done in their language, specially for consumer products, it will (help in selling) increase the sales.

Business and Industrial Centres

Japan's capital, Tokyo, is also the seat of the head offices of the trading houses and big industrial companies. Osaka, Kyoto, Yokohama, Nagoya, Kitokakayusha, Sapporo, Kobe, Sendai, Shizuoka are other important business and commercial centres. Most trading companies have their offices in all the important centres. While for final negotiations one has to deal with head offices of the trading houses, one has to convince the engineering and purchase departments in factories about the suitability of ones' material. Therefore, for selling industrial inputs, it is not enough to visit Tokyo, but go to the factories to have discussions with the operational staff to convince them and to learn about improving the specifications and designs, etc.

Publicity

Japan has a large number of newspapers, radios, televisions and movies and is therefore among the leaders in the use of mass communication media. Due to a high literacy rate and a high standard of living, all types of mass communication media are used extensively. There is severe competition amongst manufacturers, especially in consumer items, which has made publicity a very important tool in sales promotion. There are 7,555 magazines, 448 radio stations, and 1,514 television broadcasting stations. The majority of the radio stations and T.V. stations are run by the Government owned Japan Broadcasting Corporation. There are far too many newspapers, radios and television stations, to choose from, and it is very important to select the right ones for publicity with the assistance of publicity agents.

In Japan, there are regular exhibitions and trade fairs for a group of products. The industrialists and operative staff of the factories visit these fairs. In the opinion of the Japan External Trade Organisation (JETRO), these trade fairs are very important media for

publicity for machinery, machine tools and other industrial products. It is necessary for India to take active part in these fairs and exhibitions.

India is participating in a big way in Expo '70 to be held in Japan. It can be a good medium to create an image for India. In Expo '70 it will not be enough to display handicrafts and consumer products but a serious effort should be made to build India's image as an industrial nation capable of supplying castings, industrial machinery and components, electronic components and chemicals. Some of the Indian machinery and components should be on display backed by proper personnel who can answer queries about technicalities of the product, and can quote prices. Illustrated catalogues in attractive designs should also be distributed.

The JETRO runs a trade centre in Japan where it allows the product of foreign countries to be on exhibition for a specified period. Many countries have taken advantage of this facility which should be made use of by India also.

Publicity, however, has no place in case of raw materials and semi-finished products like pig iron, iron and steel, aluminium, etc. In these cases, it is necessary to have direct contacts through salesmen.

Export Organisation

Japan has a series of highly efficient export organisations from which India can learn much for improving her own export techniques. Apart from the trading cos. described earlier, other organisations concerned with exports from Japan also merit our attention. It is, however, not always easy to draw the Japanese out to talk in sufficient detail about the working and functioning of these institutions and, therefore, what follows is a resume of all that could be gathered from the published literature, and the discussions that the Study Team could have.

In the public sector, Japan External Trade Organisation (JETRO) is the most known and most important institution. The Economic Planning Agency, Supreme Council on Exports, International Trade Bureau, Institute

for Inspection of Industrial Manufactures, Export Council and Export Import Bank are other governmental agencies engaged in the task of assisting the development of exports. In the private sector there are Exporters' Associations and Inspection Councils for various products.

Japan External Trade Organisation

Japan External Trade Organisation was established by Law No.95 in April 1958. The object of JETRO is to carry out collectively and effectively the business of enterprises concerning the promotion of Japan's international trade. It has a capital of 2 billion Yen, equivalent to \$ 5.4 million which is entirely invested by the Government. JETRO is primarily a government institution and is under the control and direction of the Minister of International Trade and Industry, though its day-to-day working is controlled by its own President, Vice-President and Directors. Under the Constitution, the President and Directors are appointed by the Minister of International Trade and Industry, and are generally people from business and industry. The functions of JETRO are as follows:

- (1) Researches concerning international trade and publicity of results of researches.

- (2) Rendering service for introducing and publicising the industry and merchandise of Japan.
- (3) Rendering service for facilitating international trade transactions.
- (4) Issuance and distribution of the publications concerning international trade.
- (5) Holding of, or participating in, exhibitions, trade fairs and the like (or rendering service for holding or participating in such events).

The major functions of the JETRO are: displaying Japanese products, introducing Japanese economy and industry to the outside world and market research.

JETRO operates on the principle that 'seeing is believing' and has exhibits at international trade fairs and exhibitions. In addition, it has 16 trade centres, two Japan machinery centres and 48 JETRO offices located in foreign countries to serve as a bridge for the promotion of trade relations between Japan and other countries. In trade centres and Japan machinery centres,

one can expect to see the latest quality products of Japan. Specialists representing major Japanese industries are stationed at JETRO centres and offices to answer enquiries concerning specific products. Facilities provided by these centres are available not only to exporters of Japan but also to the firms handling Japanese products. The trade centres have greatly helped in improving the image of Japan and creating markets for Japanese products.

Market Research

An important function of JETRO Head Office and also the overseas offices is to conduct research in local markets with a view to finding out the prospects of selling Japanese products. Though the Japanese trading companies have their own offices in the foreign countries, they value highly the market research done by JETRO. For market research JETRO has area officers, commodity officers and other specialists. While they may take the help of the trading companies and industrial houses for doing market research on specific products, the latter in turn feel that the research done by the JETRO is of great help to them.

Introducing Japanese Economy and Industry

JETRO publishes periodicals and produces films designed to inform businessmen, especially foreign businessmen, about current economic conditions and industrial development in Japan with a view to improving Japan's image in their eyes.

Services to Foreign Investors

JETRO is a focal point of contact for foreign businessmen visiting Japan. In order to facilitate contacts between Japan and foreign countries, JETRO is always ready to arrange on-the-spot tours of Japanese industrial facilities for visiting businessmen. Businessmen are also welcome to contact JETRO's 23 branch offices spread throughout Japan for information on trade matters. Response to enquiries concerning Japanese manufactures, trading firms and other organisations, are given promptly, and JETRO help in arranging business meetings. JETRO also furnishes information on the availability of Japanese products in foreign countries and information on regulations and procedures for trading in Japan. In order to help the local businessmen in market research, JETRO has

international trade information centres where current trade directories, periodicals and other materials are prepared and maintained.

Japan believes that for expanding her exports it is very necessary to improve and change designs from time to time. In order to achieve this aim, JETRO has a programme of giving awards on good designs.

Though basically JETRO is for promoting exports of Japan, it also promotes the import from other countries of products required to feed the Japanese industry.

Economic Planning Agency

This agency formulates export targets and plans such other measures as have to be followed in export business. Its directors have the rank of ministers and they participate in the relevant meetings of the Cabinet. The views of the Economic Planning Agency are held in high esteem both by the Government and the private sector. It goes to the Agency's credit that the targets fixed have always been exceeded.

Supreme Council on Exports

The Supreme Council on Exports is somewhat similar to India's Board of Trade. It determines export goals and often discusses with the managers of exporting industries the required to be taken for achieving the targets and for export promotion.

International Trade Bureau

This body administers the country's import and/or export policy and also coordinates the working between the Ministry of International Trade and Industry and the Ministry of Foreign Affairs.

Institute for Inspection of Industrial Manufactures and Textile Products Inspection Council

In the earlier stages, Japan was considered an exporter of shoddy and cheap goods and therefore it was necessary for her to improve her exports by supplying quality products. For this purpose, an Export Inspection Law was enacted in 1957 which is administered through the Export Inspection Council and other inspection agencies. Only those export goods are inspected

that are of general use (mainly consumer products) and for which there is a heavy demand. Articles produced according to the Japanese standard specifications are not inspected.

There are four types of inspection: (a) inspection of raw materials for the purpose of assuring efficient final inspection for quality; (b) inspection of manufacturing processes for the purpose of ascertaining the quality of inputs and other factors that are not clearly visible in the finished products; (c) inspection of quality which seeks to adjust the products to present specifications; and (d) special packing inspection. For conducting the actual inspection many private organisations have been delegated with powers.

The enactment of Export Inspection Law which has been followed by compulsory inspection has helped greatly in enhancing the image of Japan. As against this, at present, there are many complaints about Indian products in various markets. No doubt, we have also a system of inspection but it is not as detailed as the one in Japan. We have much to learn from the Institute

for inspection of industrial manufactures and the Textile Products Inspection Council of Japan.

Export Import Bank

The Export Import Bank has been established to give financial support for developing exports of heavy items. It gives credit to manufacturers, overseas Governments and to trading companies for effecting sale of Japanese machinery on credit. The Export Import Bank has helped greatly in pushing the sales of industrial machinery.

Export Associations

There are a large number of private manufacturers' export associations for specific products. They advertise specific products, do market research in them, and study the export problems of a particular industry. The recommendations they make to Government for solving the problems are valued greatly by the Ministry of International Trade and Industry.

Chapter 3

FOREIGN TRADE POLICY

Import Restrictions

Japan is one of the most competitive bidders in the international market with the ability to compete successfully in foreign countries for a wide range of items she exports. At the same time it appears that she is afraid of foreign competition in her domestic market.. Probably, this is the reason why in law, all imports into Japan are subject to import licensing and some items are subject to an import quota system.

Imports into Japan are controlled by the Ministry of International Trade and Industry under Foreign Trade Law of December 29, 1949, as amended from time to time, Import Trade Control Regulation of the same date and its amendments, and Export and Import Trade Law of August 5, 1952.

Import Licensing: All imports except the following are subject to import licensing:

- (1) Goods without compensation, total value of which shall be less than Yen 72,000 (\$ 200);

- (2) Goods for relief purposes without compensation;
- (3) Trade samples without compensation which are reasonably considered to be less than Yen 36,000 (\$ 100) in total value of the commodities;
- (4) Small packages or parcels forwarded through international mail and similar parcels imported via other means of transportation, containing personal and household items.
- (5) Tobacco products, alcohol supplies, toilet supplies, etc., for personal use and not in commercial quantities.
- (6) Cremated remains.
- (7) Stores imported for own use by ships or aircraft which navigate between Japan and foreign countries.
- (8) Articles to be used by the Emperor and other members of the imperial family.
- (9) Articles belonging to foreign rulers or their families.
- (10) Articles for the use of foreign embassies or ministers or other envoys.
- (11) Decoration metal badges or other similar articles, presented to persons resident in Japan.
- (12) Goods gifted for the purpose of promoting friendship between foreign public organs and Japanese public organs.
- (13) Records or other documents presented without compensation.
- (14) Publications presented to libraries without compensation or as objects of international exchange.

- (15) Specimen of the object reference and materials presented without compensation which are to be exhibited at schools, museums, etc.
- (16) Goods donated by the United Nations or its subordinate organisations for education or propaganda.
- (17) Articles to be used for ceremonies or worship, contributed without compensation to the religious and juridical persons.
- (18) Official articles sent from Japanese embassies, consulates, etc.
- (19) Aquatic animals or plants gathered by the vessels of foreign countries set out for Japan, as well as articles manufactured therefrom.
- (20) Articles exported from Japan on vessels or aircrafts, brought back, owing to an accident, etc., to such a vessel or aircraft.
- (21) Articles for exhibitions and performances which are imported by travelling performers entering Japan.
- (22) Goods sent in exchange for UNESCO coupons.
- (23) Personal effects, professional instruments and household articles within reasonable value limits.

All other items are subject to import regulation and import licensing.

In most of the goods - roughly 95 per cent - there is a system of automatic approval. One does not

need the permission of the Ministry of International Trade and Industry, but need only apply on the prescribed proforma to the Foreign Exchange Bank. This prescribed proforma is given in Appendix 3. On receipt of the application, the bank approves the licence and delivers to the applicants two copies of the licence with its signatures thereon. Even on those goods where the bank is authorised to approve the licence, the permission of the Ministry is required in the following cases:

- (1) Goods to be imported without requiring settlement of the whole of the value;
- (2) Goods to be settled with means of payment expressed in Japanese currency;
- (3) Goods under processing deal contracts;
- (4) Goods under consignment deal contracts;
- (5) Goods which are imported from the place of origin other than the place of origin made public.

In the case of automatic approval, the permission issued by the bank is valid for a period of six months and in other cases for a period of four months.

Japan has gradually increased the number of items under the Automatic Approval System between 1949 and 1969. While earlier most of the imports were subject to

licences from the MITI, in 1968, about 95 per cent of the imports were covered under the Automatic Approval System which is equivalent to the Open General Licence in India. It may be said that now Japan has a liberal import policy and in future the Automatic Approval System may be further extended.

Quota Restrictions: In Japan, 123 items are subject to quantitative restrictions. The list includes largely agricultural products, machinery and machinery parts. The agricultural items are restricted to protect Japanese agriculture. Government is of the view that if imports are allowed in the field of agriculture, prices will fall and the Japanese farmers' standard of living which is already lower than that of the other sections of the population, will further deteriorate. In order to raise the standard of living of the farmers, there are schemes for price support. In the case of manufactured items, there are restrictions largely based on the advice of industry. In these items, industry feels that if imports are allowed, it will not be able to face competition especially from U.S.A. and West Germany and the production will fall.

Meat, fish, fresh fruits, tea, barley, ground-nuts, rape and mustard seeds, groundnut oil, rape seed oil and mustard oil, cotton seed oil, margarine shortening, sugar, molasses, preserved foods, fruit juices, liquors, oil cakes, compound feeds and tobacco are agricultural products which are of interest to India and in which there are quota restrictions. However, it is likely that in the not too distant future, these restrictions will be removed or liberalised.

Among other products which are subject to quota restrictions are certain mineral products like salt, coal, lignite and coke which may also be of interest to India. Menthol, opium alkaloid and their derivatives, antibiotics, microbial vaccine preparations, pencillin or streptomycin preparations with the base of antibiotics, peppermint oil are other items in the agricultural and pharmaceutical group which are subject to quota restrictions; and if India desires to export any of these, there would be problems in getting the import licence in Japan.

Hides, skins and leather, articles of leather, footwear, synthetics, precious or semi-precious stones,

goldsmith and silversmith articles, jewellery and sweeping residues, tool tips and plates, steam-generating boilers, steam turbines, internal combustion piston engines for motor vehicles, outboard motors with a rating of not less than 10 h.p. but less than 20 h.p., water cooling diesel engines with a rating of more than 100 h.p. but less than 1000 h.p., various types of diesel engines, domestic sewing machines, crank shafts, electric goods and appliances are items in the quota list which may be of interest to India, but in which because of quota restrictions, it may not be possible to expand exports. However, it appears that the Ministry of International Trade and Industry will be more sympathetic to imports from a developing country. The restrictions appear largely to be to restrict imports from countries such as U.S.A. and West Germany. If Indian exporters meet other requirements, it is most likely that quota restrictions will not come in their way until such time as Indian industry becomes a threat to Japanese industry. There have been great pressures on the Japanese Government both by GATT and individual countries for the removal of these restrictions, over the last few years.

Japan is not agreeable to the suggestion of GATT that these restrictions be removed because she fears that it will hamper the interest of local producers especially those in the small sector. The fear is that it will create unemployment in the small scale industries. Recently, there is pressure from the local industries in the large scale sector to remove some of the restrictions on the imports of machinery and components and it is not unlikely that gradually the remaining restrictions will be removed.

Exchange Control: Exchange control is administered by the Ministry of Finance in conjunction with the Ministry of International Trade and Industry and the Bank of Japan. However, for implementation, much of the authority has been delegated to authorised commercial banks and this has greatly facilitated the day-to-day working.

Once the import licence is obtained under the Automatic Approval System from the exchange bank, or in the case of items subject to quota restrictions from the Ministry, there is no further problem of payment; the commercial bank allows payment without referring to

the Bank of Japan or other Government authorities. Payment of invisibles is subject to approval which is given by the commercial banks in most cases without referring to the Bank of Japan. A tourist is allowed a sum equivalent to \$ 500 a trip, automatically. Any additional amount requires special authorisation. Certain contracts require approval but once granted, payments resulting out of the contract are allowed freely by the commercial banks. Only such settlements that are not under the 'standard' procedure require individual approval. Payments for services, etc., may not be made more than three months before, or kept pending later than six months after the receipt of these services. Both residents and non-residents can take out freely Yen 36,000 (equivalent to \$ 100) in Japanese currency. A non-resident may take out freely foreign currency upto the amount which he had brought into Japan.

All exports must be registered with an authorised bank. Export proceeds must be settled within five months after arrival of goods or within six months after shipment, except in certain categories of goods. Export proceeds must be surrendered within 10 days of receipt.

However, residents in Japan may be permitted to hold foreign currency deposit accounts in various banks in which they may keep these proceeds in US dollars or sterling from exports of invisibles for a maximum period of 20 days. During this period, they may use the exchange for making approved payments.

In addition to the Yen, the other designated currencies are the Australian Dollar, Austrian Shilling, Belgian Franc, Canadian Dollar, Danish Kroner, Deutsche Mark, French Franc, Italian Lira, Netherlands Gilder, Norweigan Kroner, Portuguese Escudo, Pounds Sterling, Swedish Kroner, Swiss Franc and U.S. Dollar. Payments to other countries may be made in any currency. Settlement in Yen with foreign countries must be made through a non-resident free Yen account.

Proceeds from invisibles must normally be deposited with the Government within a period of one year.

Foreign investments in Japan are subject to the approval of the Foreign Investment Council. There are considerable restrictions by the Foreign Investment Council in approving foreign investments in Japan in

certain industries. There is a great apprehension that if too much foreign, especially U.S. capital is allowed to be imported, it may dominate Japanese industry. When foreign companies desire to establish a branch or set up a plant in Japan, they are required to inform the Ministry of Finance and the Ministry of International Trade and Industry through the Bank of Japan. When they wish to bring funds from abroad, they need a licence after which they will be allowed to repatriate profits and capital. Japanese investment abroad also needs approval from the Bank of Japan. These authorities examine how the conditions governing the Japanese investments in a particular country abroad will affect the Japanese balance of payments. Japan's balance of payments position has greatly improved^{1/} especially in 1968. In future, Japan is bound to have more foreign exchange reserves with further improvements in her balance of payments. Therefore, it may be expected that the authorities will be more liberal in sanctioning Japanese investments abroad; restrictions on exchange control and imports may be further liberalised.

^{1/} See Chapter 4.

Tariff Structure: Japanese industries are protected not only through import licensing and quota system but also through tariffs. While most of the raw materials required to feed local industries, are subject to zero tariff, the intermediates and final products are subject to considerable import duties which goes up to 50 per cent of c.i.f. value, with a view to protecting domestic industries. When the tariff on the raw materials is zero and on the imports of semi-finished or finished goods is high, the effective rate of tariff works out to be much higher. There are quite a large number of items like oil seeds, petroleum, acids, cinematographic films, cotton yarn, non-ferrous metal products, watches and clocks, musical instruments, etc., which are subject to specific duties in addition to ad valorem duties. Thus, the rate of duty coupled with import licensing and quota restrictions give considerable protection to the domestic products. It is strongly believed by the developing countries that in many cases especially in primary products, the high rate of tariff is restricting the expansion of their exports to Japan.

The tariff structure in Japan has been summarised in Table 2. It will be observed from this table that

Japan has two rates of tariff; one is the general rate, and the other is the 'most favoured rate' applicable to the GATT member countries. As India is also a member of the GATT, only the GATT tariff rates are of interest to us.

On January 1, 1969, many primary and agricultural products like fish, horns, bones, fruits, coffee, tea, spices, oilseeds, raw vegetable materials, vegetable oils, preserved vegetables and preparations were subject to a duty of 3 to 30 per cent. Medicines and pharmaceutical products were subject to a duty of 20 per cent, dyes 16 per cent, leather 8 to 25 per cent, silk fabrics 16 to 20 per cent, cotton yarn 6.7 to 13.2 per cent with a specific duty on some of the counts; jute yarn 16 per cent, jute fabrics 23 per cent, carpets 24 to 26.5 per cent, garments 13.2 to 35.2 per cent, footwear 12 to 27 per cent, pig iron 8 per cent, iron and steel 8 to 23 per cent, hand tools 12 to 32 per cent, diesel engines 12 to 30 per cent, machines 3 to 20 per cent, machinery 8 to 14 per cent.

Japan, as a member of GATT, has agreed to reduce her tariff rates under the Kennedy Round negotiations.

The first reduction has been made from January 1, 1969, a further reduction of 25 per cent from January 1, 1970 and the final rate which in most cases will bring the rate down to half of the rates prevailing in 1967 will become effective from January 1, 1972. These rates are given in Table 2. When these rates become effective, there is bound to be expansion in imports to Japan. If the tariff protection is followed by liberalisation of import restrictions and exchange control for which the trend has already been set, Japanese imports, especially of primary products and spares and components, would rise faster than in the past.

Japan, herself, is also trying to give certain concessions for the imports of components and spares. It is learnt that 11 products required by the electronic industry may be subject to import duty only on the value added. In most of these cases, raw materials or semi-finished products will be exported from Japan. This is being done with a view to help overcome the problem of high cost in labour-intensive industries. Japanese industry is studying what other items should be given such concessions on the basis of the value added to

help the industry. It may be expected that the Government will accept the recommendations of the industry as and when these are made, despite the opposition from the small scale sector. If the list of the products to be imported on the 'value-added' basis is expanded, it would help India to export some of the components and spares manufactured out of inputs imported from Japan. Therefore, it is necessary that we should be watchful of developments and take advantage as and when these concessions are announced. It is expected that the list will be extended particularly to cover more electronic products.

Bilateral and Other Trade Agreements: Japan believes in expansion of trade in every conceivable way. As will be observed from Appendix 3, she had trade and financial agreements with 54 countries, of which there are payment agreements with 25 countries along with the list of commodities to be traded in. However, many of these are not bilateral agreements as payments have to be made in pounds sterling, U.S. dollars or other convertible currency. There are provisions for entering into financial agreements for deferred payments which help in

expansion of Japanese exports especially of durable goods. In all the agreements, the manufactured goods that will be exported by Japan and the raw materials that will be imported by Japan have been specified. Only in the agreements with France, Hungary, Norway, Poland, Rumania, U.K., U.S.A., U.S.S.R. and the Republic of Germany, is there a provision to import machinery into Japan.

It appears that both the Japanese Government and the Japanese trading companies give considerable weight to trade agreements and financial arrangements with other countries. They expressed the view that if India had a trade agreement with Japan for the import of certain Japanese goods in exchange for certain raw materials and primary products, it will help to expand the trade between the two countries. Though Japan has a favourable balance of payments and is likely to have a bigger surplus on payment account, she still believes that the trade and payment agreements can help in expansion of trade. However, this should not be treated too seriously. Basically India's export prospects will depend on competitive prices and marketing.

Japan has unbalanced trade with many countries and it will not come in the way of buying more of Indian products with a few exceptions. In other cases, the balance of trade argument may be used only for pressing India to buy more Japanese goods.

Japan is giving financial assistance to various countries in the form of Yen credit under which there is an agreement to buy only Japanese products.

Import Substitution: While Japan has reached an advanced stage of industrialisation, in the development of technology there is a continuous trend in import substitution in favour of synthetic products for replacing natural fabrics and other natural products. There is a greater use of synthetic fabrics, synthetic leather, synthetic rubber, plastic and paper in replacement of cotton, jute, leather, tin and natural rubber. As technology advances, this trend will be further accentuated, to reduce the cost of production, and to make Japanese products more competitive in the international market.

At the same time, in some cases there is also a demand in favour of imported intermediates, components

and spares, with a view to making the best use of labour and capital. The structure of the economy is continuously changing and some of the lines of production which are becoming uneconomic have been described in Chapter 1.

Changes in favour of import substitution may adversely affect India's exports of jute, cotton and, in the long run, leather. However, at the same time, there will be greater prospects for exporting the coarser variety of cotton fabrics, cotton yarn, components and spares.

Procedure of Imports/Exports: Imports into Japan are subject to licences and in some cases quota restrictions which have been discussed in an earlier section. Exports are free from restrictions. The licensing procedure which has already been described is simple. Forms which are required to be filled in respect of imports under various systems are given in Appendices 5 to 9.

Chapter 4

REVIEW AND PROSPECTS OF TRADE

Balance of Trade

With the rapid growth of the economy, Japan's trade has also expanded fast, as the two are inter-dependent. Between 1958 and 1968, exports increased from \$ 2,877 million to \$ 13,717 million, i.e., 16.5 per cent per annum (compound). In 1968, exports rose by 13.1 per cent over the previous year which was more than $2\frac{1}{2}$ times the growth in world trade that year. In the earlier years also, Japanese exports have risen much faster than world exports because of competitive prices and the structure of Japanese exports. In Japan's exports machinery, ships, heavy chemicals and other manufactures account for the bulk; world trade in these items is rising faster than the overall world trade; the prices of these products are also upward against depression in primary products. These factors have helped for the higher growth in the value of Japanese exports.

Besides depending heavily on imported raw materials, Japan also imports machinery and consumer goods. Therefore, with the rapid growth of exports and

rise in the income, imports have also risen. However, the growth rate of imports at 16 per cent (compound) during 1958 to 1968 from \$ 3,038 million to \$ 13,290 million, is a little lower than that of exports. As will be observed from the following table, except in 1965, 1966 and 1968, in all other years, trade balance (on customs clearance basis) was unfavourable. This has been a recurring cause of concern and the Japanese Government and Industry are trying to correct it through stepping up exports, improving labour productivity and reducing the rate of growth in imports. That they have been successful to a certain extent, will be seen from the fact that in 1968, there was a trade surplus of \$ 427 million.

Trends in Japan's Foreign Trade

(Million \$)

Year	Exports	Imports	Trade Balance
1958	2,877	3,038	-156
1959	3,450	3,599	-143
1960	4,055	4,491	-436
1961	4,236	5,810	-1574
1962	4,916	5,637	-721
1963	5,452	6,736	-1294
1964	6,673	7,938	-1265
1965	8,452	8,169	+283
1966	9,776	9,523	+253
1967	10,442	11,663	-1221
1968	13,717	13,290	+427
1969	3,365	3,422	-67
(Jan-March)			

It will be difficult to project accurately the figures for Japan's exports and imports in the coming years, because in the past the actuals have invariably exceeded the projected figures. The Economic Planning Agency of Japan has estimated that by 1971, exports will rise to \$ 16,400 million and imports to \$ 13,450 million. On this basis, it may be expected that there will be a trade surplus of \$ 2,950 million by 1971. The experience of the past few years suggests that even these are under-estimates. While the growth rate in the future cannot be as high as in 1968, it will continue to be higher than the projected level. Similarly, imports may rise faster than the rates estimated. On the whole, however, the trade balance is likely to be much better than what was projected at the time of formulating the plan for 1967-71. It is somewhat uncertain to predict what the situation would be after 1971 as the next plan has not yet been formulated. The long-term plan for 1965-85 has estimated that the growth rate in GNP would be between 7.5 and 8.3 per cent per annum (compound). While imports will rise at the same rate as GNP, exports are expected to rise faster at around 9.5 per cent per annum.

Therefore, it may be expected that Japan's trade balance will continue to improve in the long run.

Balance of Payment

The Japanese balance of payments data is given in Table 3. It will be observed from this table that except in 1961, 1963, 1964 and 1967, the basic balance (current balance plus long-term capital balance) has been favourable to Japan. Surplus in the balance of payment in favour of Japan has been rising. The rise in the surplus is largely due to the growing surplus on trade account. While in 1961, there was a deficit of \$ 558 million in trade account in 1963, there was a surplus of \$ 2,531 million. The trade surplus is rising because of the faster rise in exports than in imports.

In the service account, Japan has been having a deficit which means she is using more foreign services than she provides to the rest of the world. The deficit in the service account is gradually increasing, largely due to higher payments on transportation of imports and exports. The transfer payments have been in deficit in all the years and the deficits have risen

year after year. The overall balance of current account has generally been in deficit with a few exceptions.

The deficit balance of payment on current account over a large number of years is probably responsible for the low rate of outflow of long-term capital from Japan. In a number of years, there has been a net inflow of foreign capital. This has come largely from the U.S.A. and West Germany, who are interested in investing more in Japan because of the wage rates being lower than those prevailing in their own countries and the high productivity of Japanese labour. However, they are not able to invest much more because of the restrictive policies adopted by the Japanese Government.

Japan on her part has been investing increasing amounts year after year in joint ventures in foreign countries especially in those fields which are producing inputs for Japanese industries. Japan is greatly interested in developing new sources of supplies of raw materials for her industries, and is investing funds for this purpose in the South-East Asian countries, Australia and South America.

In spite of the adverse balance on current account, Japan's overall balance of payment position has improved in the last decade because of capital transactions. Therefore, gold and foreign exchange reserves have increased from \$ 1,486 million in 1961 to \$ 2,891 million by the end of 1968 and further to \$ 3,086 million by February, 1969.

It may be expected that the balance of payments position will continue to improve. According to the estimates of the Economic Planning Agency of Japan, by 1971, current balance will have a surplus of \$ 1,450 million against \$ 1,050 million in 1965.^{1/} The following are the projections by the Economic Planning Agency of Japan:

Long Term Economic Growth

	(Million \$)		
	<u>1965</u>	<u>1985</u>	<u>Growth rate %</u> <u>p.a. 1965-86</u>
1. Exports of goods and services & factor income	9888	61,130	9.5
2. Imports of goods and services & factor income	8888	50,000-55,556	9.96
3. Balance of payment (1-2)	1000	11,130-5574	-

^{1/} Economic Planning Agency, Government of Japan - Economic and Social Development Plan 1967-71, published in March 1967, pp.124.

It may be expected that with the anticipated improvement in the balance of payments, Japan would further liberalize her imports and invest more funds in joint ventures, especially in South-East Asian countries.

Direction of Trade

The Japanese economy is dynamic and fast changing. There are continuous changes in the structure as well as direction of trade. Details regarding the direction of trade are given in Table 4. The position may be summarised below:

Direction of Trade

(Value: Million \$)

	<u>Exports</u>			<u>Imports</u>		
	1960	1967	1968	1960	1967	1968
Asia:	1458	3555	4415	1367	3582	4004
South-East Asia	1307	2931	3613	915	1795	1984
Soviet Bloc	73	525	582	125	868	837
Europe	538	1664	1896	489	1766	1878
EEC	174	546	687	209	655	737
EFTA	228	728	760	158	465	493
North America	1345	3618	4831	1923	4172	4539
South America	180	280	334	145	529	610
Africa	352	850	940	164	661	839
Oceania	182	472	542	404	951	1115
Grand Total:	4055	10442	12972	4491	11663	12978

Source: Japanese Government - Economic Planning Agency,
Economic Statistics.

It will be observed from the above data and Table 4, that Japan's imports and exports have been steadily increasing in all the regions of the world. North America has been her biggest trading partner both for imports and exports. The second position is enjoyed by Asia; Europe has third place.

In the Asian market, the bulk of the exports is to South-East Asia, but the imports are more diversified. As for Europe, there has been a great expansion of exports to the Soviet Bloc, from \$ 73 million in 1960 to \$ 582 million by 1968, due to the liberal policy followed both by Japan and the East European countries. Trade with EEC has expanded much faster than the overall growth rate, because of imports of machinery and exports of industrial and consumer goods. In the case of Oceania, there has been a much faster growth of imports because of the large imports of crude material from Australia.

As would be clear from the above table, Japan has a favourable balance of trade with Asia, Europe, North America and Africa, and an unfavourable balance with South America and Oceania because of large imports of crude materials as against their limited requirements of Japanese products.

Japan's trade with 20 countries as arranged in the descending order of the export trade in 1968 was as given in Table 5. It will be observed from Table 5 that Japan's largest trade is with U.S.A. which accounted, in 1968, for one-third of the exports and more than one-fourth of the imports. Surprisingly, the second place in Japanese exports is enjoyed by the Republic of Korea, third by Formosa, fourth by Hong Kong and fifth by Liberia. All these countries, by size of their population, are small, while India despite her vast population, occupies only the 20th place in Japanese exports.

Japan's export to the Republic of Korea has increased in recent years because of the Japanese interest in establishing industries in Korea and exporting capital with a view to developing industries that can feed Japanese industries, besides her obligation to pay compensation under the War treaty. Exports to Formosa also increased largely because of Japan's interest in developing industries and granting credit to that country. Exports to Hong Kong have risen largely because of the heavy demand arising from visitors to Hong Kong for consumer items like cameras, watches and electronic products, and Hong

Kong's large imports of textile fabrics for making garments. Many other Asian countries like Philippines, Thailand, China, South Vietnam, Singapore, Indonesia, Malaysia, etc., are also important markets for Japanese products, both for consumer and capital goods. As will be observed from Table 5, Japan's trade with most of the Asian countries is not exactly balanced; exports from Japan are much larger than her imports from these countries. However, in the case of Australia, West Germany, USSR, South Africa, Indonesia, India, Mexico, Malaysia, Iran and other Persian Gulf countries, Japan's imports are much larger than her exports. Therefore, Japan cannot really be concerned about balancing of trade with individual countries, so long as she can have an overall improvement in her balance of payments position.

Composition of Trade

The composition of Japanese exports and imports as per Standard International Trade Classification is given in Table 6. It will be observed from the table that during 1960-68, in terms of value, imports of all groups have increased. However, there has been a faster

growth in imports of food, mineral oils, manufactured goods, machinery and transport items and miscellaneous manufactured articles whose share has increased at the expense of other groups. The import of food has increased from \$ 529 million in 1961 to \$ 1312 million by 1968. Due to the liberalisation policy, a rise in the standard of living and the growth of demand for some food items like maize for industrial purposes, there has been a somewhat faster rise in the 'food' imports than the overall rise. This has increased the share of the food group from 12 per cent in 1960 to 14 per cent by 1968. The most important items in the food group are wheat, maize and sugar.

Other items of interest to India are fish, barley, banana, edible nuts, molasses, coffee, tea, oil-cakes and bran. Changes in the import of these items have been shown as below:

Imports of Selected Food Items Into Japan

(Value million \$)

	1962	1967	1968
Fish	13.3	133.0	144.1
Wheat	130.9	307.6	289.4
Barley	-	39.9	38.3

(Contd.....)

(Contd....)

	<u>1962</u>	<u>1967</u>	<u>1968</u>
Maize	133.7	270.9	307.7
Banana	12.5	75.0	101.1
Edible nuts	4.4	13.9	19.1
Sugar	134.6	177.3	211.0
Molasses	14.3	38.9	31.9
Coffee	23.8	29.8	35.0
Tea	2.4	7.4	8.0
Spices	2.3	4.3	5.1
Animal Feeding Stuff	34.8	72.0	92.0

Though beverages and tobacco is a small group, the rate of its rise in imports has been high, from \$ 18 million in 1960 to \$ 67 million by 1968.

Crude minerals is an important item in Japanese imports which accounted for 37 per cent of the total imports in 1968 because of the dependence of many Japanese industries on imported materials. However, during 1960-68, the growth rate in imports of crude materials has been lower than that of the overall imports which has reduced the share of the group from 48% in 1960 to 37% by 1968. Timber is another important item, followed by iron ore, soyabean, weel, and raw cotton. An examination of the details of imports of unprocessed or raw materials suggests that besides iron ore, hides and skins, oil seeds,

silk, natural phosphate, natural abrasives, salt, mica, bauxite, manganese ore, crude vegetable materials, crude animal matter, natural gums and resins are of interest to India since the demand for these has risen considerably. The imports have risen as shown below:

Imports of Selected Unprocessed Raw Materials
into Japan

(Value: Million \$)

	1962	1967	1968
Iron ore	319.6	718.0	833.8
Hides and skins	63.2	74.7	74.1
Fur skins	0.6	7.8	8.7
Oil seeds, nuts, kernels of	205.7	415.1	419.3
which soyabean	132.7	272.0	274.1
Silk fibre	0.8	37.6	29.1
Timber	316.2	934.4	1160.9
Natural abrasives	7.7	17.6	21.8
Salt	29.0	41.3	47.4
Mica	7.9	19.0	4.3
Bauxite	13.2	21.8	25.4
Manganese ore	12.1	23.3	23.9
Miscellaneous crude			
animal matter	10.4	30.9	31.1
Crude vegetable material	18.5	35.1	30.3
Natural gum, resin	N.A.	3.6	3.1

Mineral fuel imports have risen steeply from \$ 742 million in 1960 to \$ 2,675 million by 1968 raising their share in the total imports from 17 per cent to 21 per cent. However, as India herself is an importer of mineral fuels and has yet no surpluses, there are hardly any items in this group that she may think of exporting to Japan on a long-term basis.

In the case of animal and vegetable oils and fats, imports have increased only gradually from \$ 38 million in 1960 to \$ 50 million by 1968, largely because of the policy of the Japanese Government allowing import of oilseed in preference to import of oils.

Chemicals

Imports of chemicals have fluctuated widely from year to year, but there was an overall increase in the imports from \$ 265 million in 1960 to \$ 690 million in 1968. There are a large number of chemical items which may be of interest to India. India may specially be interested in the following chemicals.

Import of Chemicals

(Value: Million ¥)

	1962	1967	1968
Hydro carbons	13.9	40.1	38.7
Alcohols	10.6	13.6	14.5
Ethers	4.8	4.6	3.3
Acids	7.5	26.9	16.6
Inorganic elements	16.4	40.3	44.6
Dyes	21.5	30.9	31.8
Pigments	6.0	13.4	16.0
Medicines, drugs	2.1	98.0	127.8
Essential oils	14.5	26.3	27.9
Soap, etc.	2.6	6.9	7.5
Plastics	35.0	42.6	51.7
Starch	6.8	26.1	6.5

Manufactured Goods

Imports of manufactured goods have increased steadily from ¥ 257 million in 1960 to ¥ 1291 million by 1968 which has raised the share of these goods in overall inputs from 6 per cent in 1960 to 10 per cent by 1968. The rise in the imports of manufactured goods has been due to rise in the demand with the high growth rate of income, changes in the structure of Japanese economy, the liberalisation of import policy for consumer items, and the export efforts of the other industrialised countries, especially U.S.A., who penetrated the Japanese market. Many U.S. firms have made deliberate and sincere efforts to penetrate the Japanese

market for consumer items either through collaboration with local manufacturers, distributors and trading companies, or direct by spending huge sums of money on advertisement and sales organisation. In the case of manufactured consumer items, there has been a big growth in the imports of cotton, silk, and woollen fabrics, knitwear, floor coverings, diamonds, precious and semi-precious stones and cutlery. The imports of these items have risen partly due to the mounting of demand with the rise in income and partly due to reduced competition from local suppliers because of the change in the structure of Japanese production. Changes in the imports of some of the important manufactured consumer goods which are of interest to India have been as follows:

Change in Imports of Selected Consumer Goods

(Value: million \$)

	1962	1967	1968
1. Woven cotton fabrics	1.4	6.9	10.7
2. Non-cotton fabrics	13.2	58.9	76.3
3. Ribbons, etc.	0.8	5.8	8.8
4. Special textile products	1.3	5.0	7.0
5. Floor covering, tapestries	0.8	4.6	5.0
6. Pearl & precious stones	14.6	71.4	83.2
7. Cutlery	1.0	5.1	4.6

No doubt, there has been larger import of manufactured consumer articles during 1960-68, but the basic cause for the rise in the imports of manufactured goods as a whole is the larger imports of industrial inputs like leather, paper, plywood, textile, yarn, pig iron, iron and steel, non-ferrous metals, tools, etc. Variations in the import of items which may be of special interest to India have been as shown below:

Change in the Imports of Industrial Manufactured Goods

(Value: million \$)

	1962	1967	1968
Leather	4.9	9.4	12.4
Paper and paper board	3.5	15.3	27.3
Pig iron	85.5	325.9	226.1
Iron and steel	112.0	369.2	245.8
Textile yarn & thread	3.9	18.5	24.7
Aluminium	9.8	87.3	85.9
Tools	5.2	9.8	11.5
Plywood	-	31.3	56.1

Machinery and Transport Equipment

Japan is a big exporter of machinery and transport equipment but at the same time she is importing large quantities of machinery and equipment and their parts especially from U.S.A. and West Germany, to bring her industrialisation to the level of these countries. The

imports of some of these items like transport machinery, sewing machines, centrifugal pumps, switchgear, bicycles, etc., have increased mainly due to the change in Japanese economy. Some of the simpler items which were earlier being supplied locally are now being imported. As a result, the total imports of machinery and transport equipment have risen from \$ 403 million in 1960 to \$ 1,226 million by 1968, and they accounted for 9.4 per cent of the overall imports. The imports of machinery are largely from the industrialised countries. Changes in the imports of those items in which India may be specially interested are as given below:

Import of Machinery and Transport Equipment

(Value: Million \$)

	1962	1967	1968
Steam boilers	12.9	3.0	2.3
Steam engines	6.9	12.6	9.6
Metal working machinery	187.2	58.4	142.7
Textile machinery	26.8	39.9	58.2
Sewing machines	2.6	3.2	4.7
Centrifugal pumps	26.5	42.1	47.9
Ball and roller bearings	3.1	5.5	6.0
Machine parts	26.9	33.9	47.0
Switch gears and other electric machinery	22.6	42.5	43.1
Electric distributing machinery	1.5	4.1	4.5
Railway vehicles	1.7	3.3	1.2
Bicycles	-	0.4	1.1

Miscellaneous Manufactured Articles

Miscellaneous manufactured articles include largely the consumer items, imports of which have increased from \$ 60 million in 1960 to \$ 310 million in 1968. In this group, for India, the big chance may be for handicrafts, footwear, furniture, parts of watches and clocks.

Exports

The composition of Japanese exports has changed much faster than of imports (Table 6) because of the change in the structure of production in the country. Food, beverages and tobacco, crude minerals, mineral fuels, animal and vegetable oils and fats always had a small share in Japan's exports. In the last eight years, their share has further fallen; in absolute values, there have been marginal increases except in the case of animal and vegetable oils and fats where the value of exports has also fallen.

In the earlier periods, Japan was an exporter largely of consumer products and light engineering items. However, due to the rapid change in the structure of Japanese production, the share of machinery and transport

equipment has increased sharply from 23 per cent in 1960 to 44 per cent by 1968. The share of all other groups except chemicals has been declining as would be clear from Table 7. The position may be summarised below:

Export Structure of Japan

(% of total export)

	1955	1965	1968
1. Heavy metal & chemical industries products	38.4	62.6	67.9
2. Light industrial products	52.0	31.8	27.2
3. Raw material & fuels	6.3	1.5	1.3
4. Foodstuff	3.3	4.1	3.6

The structure of industrial production in Japan has been changing and will continue to do so. If the experience of the past is any guide, the share of textiles and other light industrial products will continue to fall and that of machinery will continue to rise. Exports of selected items are given in Table 7.

Summing Up

Japan's export and import structure has been in the process of a continuous change. It is clear that Japan will continue to import larger quantities of mineral fuels, other raw or unfinished materials and

food products to serve the needs of her economy. There will also be greater imports of some of the manufactured consumer products and the less sophisticated industrial goods, components and spares. As for exports, light engineering goods exports which have been declining will continue to decline and the exports of heavy engineering products and heavy chemicals will continue to rise. At present, iron and steel is the most important item in Japanese exports, followed by ships, automobiles and other metal products. It may be expected that exports of these items will continue to grow faster. Radio-receiver sets, cameras, optical instruments, synthetic textile fabrics, cotton fabrics, plastics and television sets and tape-recorders are other important items of exports. In some of these items, in future, Japan will have to face greater competition from new-comers like Korea, Taiwan and Hong Kong. It is likely that the exports of some of these items may not rise as fast as in the past. It would not, however, be possible to project a clear picture of the imports and exports of individual items without a detailed investigation. The Economic Planning Agency of Japan has estimated the

following structure of exports and imports for 1971, as in the table below:-

Sectoral Balance of Demand and Supply by
Industry in Japan, for the year 1971
(in 1960 prices)

(Value: Billion Yen)

Industry	Exports	Imports
Agriculture, forestry and fisheries	91.9	1309.3
Mining	1.3	1726.7
Food products	99.8	641.6
Textiles	463.2	30.5
Pulp, paper & allied products	22.0	82.2
Chemical and allied products	340.7	570.1
Primary metal industry products	635.3	439.5
Fabricated metal industry products	421.6	13.3
Machinery except electrical	674.4	230.2
Electrical machinery	831.8	76.4
Transportation equipment	1457.7	120.4
Other manufactures	499.6	579.5

Source: Government of Japan - Economic Planning Agency - Economic & Social Development Plan 1967-1971, pp.176-177.

TRADE WITH INDIA

Japan is a very important market for India and over the years, her importance in India's exports has been growing. While in 1951-52, only 2 per cent of India's total exports were to Japan, in 1968-69 her share increased to 11 per cent. Now, Japan is the third biggest market for Indian products, after U.S.A. and U.K. In Indian imports also Japan's position is quite important with a share of 6 per cent in 1968-69. The rise was yearly upto 1960-61; thereafter it remained static except for a rise in 1968-69, due to the shortage of free foreign exchange with India and the inadequate credit granted by Japan. Even so, in 1968-69, Japan had the fifth position in India's imports, following U.S.A., U.K., U.S.S.R. and West Germany.

Japan's Place in India's Foreign Trade

(Value in million \$)

Year	India's total exports	Exports to Japan	India's total imports	Imports from Japan	Japan's share in India's exports %	Japan's share in India's imports %
1951-52	1,543	31	2,062	53	2.1	2.6
1955-56	1,232	64	1,630	70	4.9	4.3
1960-61	1,352	74	2,361	128	5.4	5.4
1965-66	1,696	120	2,965	167	7.1	5.6
1966-67	1,542	143	2,771	143	9.3	5.2
1967-68	1,598	181	2,632	143	11.3	5.4
1968-69	1,868	211	2,486	154	11.3	6.2

While in India's trade Japan has an important place, in the overall trade of Japan, India occupies a low place. India's share in Japanese imports have remained static around 2.3 per cent during 1962-68. In other words, Japan's imports from India have grown at the same rate as her overall imports. In 1968, India had the 12th position in Japanese imports. There were larger imports from Malaysia, Philippines, Iran, Saudi Arabia, Kuwait, West Germany, U.S.S.R., U.S.A., Canada, Republic of South Africa and Australia than from India. Imports from gulf countries were more than from India because of the large imports of petroleum. As for West Germany and U.S.A., their share in Japan's imports is larger because of imports of sophisticated machinery. The South East Asian countries, Australia and U.S.S.R. are having a more important place than India in Japan's imports because of the raw materials they supply.

In 1968, India had 30th position in Japan's exports. The absolute value of India's imports from Japan has declined because of the credit policy on the one hand and India's trade policy on the other.

Japan's Trade with India

(Million \$)

Year	Japan's total imports	Imports from India	India's share %	Japan's total exports	Exports to India	India's share %
1960	4,491	126	2.8	4,055	111	2.7
1961	5,810	116	2.0	4,236	116	2.7
1962	5,637	124	2.2	4,916	120	2.4
1963	6,736	162	2.4	5,452	154	2.8
1964	7,938	180	2.3	6,673	180	2.7
1965	8,169	184	2.3	8,452	204	2.4
1966	9,523	206	2.2	9,776	167	1.7
1967	11,663	259	2.2	10,441	138	1.3
1968	12,989	293	2.3	12,979	139	1.1

Source: Japanese Government Economic Planning Agency -
Economic Statistics.

With the continuous rise in India's exports to Japan because of larger exports of iron ore and a fall in India's imports from Japan, the trade balance which was in favour of Japan upto 1965-66, has in 1967-68 and 1968-69 turned to be in India's favour. This would be clear from the following figures:

Balance of Trade with Japan

(Value in million \$)

Year	Exports	Imports	Balance
1951-52	31	53	- 22
1955-56	64	70	- 6
1960-61	74	128	- 54
1965-66	120	167	- 47
1966-67	143	143	0
1967-68	181	143	+ 38
1968-69	211	154	+ 57

With the shortage of the availability of credit, imports of machinery from Japan have declined. Japan is a cheaper source compared to U.S.A., West Germany or other West European countries and therefore Indian industrialists prefer to buy from Japan. However, due to non-availability of free foreign exchange, imports are not allowed liberally from Japan. Because of India's requirement of larger imports from Japan and also of Japanese interest in buying from India, it should be possible to develop a two-way trade through new arrangements, under which Japan may buy additional products. Japanese trading companies and the Government are under the belief that India was not interested in buying from Japan and was anxious to sell, even when she was having a favourable balance of trade. It is not clear why this belief should persist against India alone when Japan is having an adverse balance with many other countries - possibly they feel that while in other cases the imbalance is largely because of economic circumstances, in the case of India it is largely because of the Government of India's policy. Though basically expansion of India's exports will depend upon the quality, price and marketing excellence of her products, there is a strange and not unjustifiable belief

among the Japanese that linkdeals may provide good opportunity to penetrate the market and may be helpful in the initial years for pushing the new Indian products.

Composition of India's Exports to Japan

India's exports to Japan are given in Table 10. It will be observed therefrom that India is largely exporting crude minerals (mainly iron ore) and raw cotton to Japan. They account for two-thirds of India's exports to Japan. There have been hardly any exports of industrial semi-finished or finished products except for pig iron. India's exports to Japan of consumer goods, agricultural primary products, machinery and spare parts, etc., have been of an insignificant order even though they form a sizeable portion of Japan's imports. This is partly due to lack of knowledge about India's capabilities.

Over the years 1961-62 to 1968-69, the importance of raw cotton and cotton waste in India's exports to Japan has declined and that of fish and iron ore has increased. Of these, iron ore and iron and steel scrap account for 46 per cent of the total. The bulk of the remaining

exports are of fish, cotton, mica, manganese ore, and pig iron. Position will be clear from the following table.

Composition of India's Exports to Japan

	1961-62		1968-69	
	Value Million \$	% to Total	Value Million \$	% to Total
Fish	0.1	0.1	6.2	2.9
Cotton (raw and waste)	27.0	22.9	13.5	6.4
Mica	3.0	2.5	2.8	1.3
Iron ore & concentrates	41.0	35.2	94.6	44.9
Iron & steel scrap	12.9	11.0	1.9	0.9
Manganese ore	0.6	0.5	10.6	5.0
All others	33.2	27.8	81.3	38.6
Total:	117.8	100.0	210.9	100.0

The concentration of India's export in a few commodities is not a healthy feature. No doubt, iron ore has a good future in Japan because of the continuous expansion of her steel industry and lack of domestic supply, but in an effort to increase India's exports, greater attention has to be paid to food, consumer fashion goods, manufactures and semi-manufactures, spares components, etc. Japan is a big and expanding market for

all these items and India's share is as yet negligible in most of them. Therefore, the size of the market will not be a problem. Each product will have its own problems of supplies in India, price, quality and marketing. The problems of some selected products have been discussed in the next chapter.

Composition of India's Imports from Japan

Indian imports from Japan comprise a large number of items as given in Table 11. Of these, machinery is the most important item, while organic chemicals and fertilisers come next. Upto 1965-66 iron and steel also used to be an important item of import from Japan into India; but with the development of iron and steel industry in India, their imports have fallen.

Japan is a cheaper source than U.S.A., West Germany, etc., for most industrial inputs and machinery, but imports are not expanding because of the lack of availability of credit. Import of machinery has been under the Yen credit from Japanese Export-Import Bank and the quantum of imports depends upon credit; with the reduction in credit imports have fallen. No credit is available for industrial raw materials; therefore, they could not be imported from

Japan in spite of the fact that Japan quotes cheaper prices than other countries. It is possible to buy much more from Japan, especially industrial chemicals, machinery and components if Japan would increase her imports from India and payment arrangements could be settled.

PART THREE

TRADE PROSPECTS FOR INDIA

Chapter 6

EXPORT PROSPECTS OF INDIVIDUAL COMMODITIES

Japan is an importer of a large number of industrial raw materials, components and some consumer items which may be of interest to India. On the basis of India's production capacity and the views of the Government of India on the one hand, and Japan's imports (discussed in Chapter 4) and the discussions the study team has had with Japanese importers on the other, the following items should have a good prospect for increased exports from India to Japan:

Items with a prospect for increased Exports to Japan

Food:

1. Fish
2. Maize
3. Barley
4. Banana
5. Dry fruits and nuts, especially cashew
6. Sugar
7. Molasses
8. Spices
9. Bran
10. Oilcakes
11. Canned fruits and vegetable products

Beverages and Tobacco:

- 12. Tea
- 13. Tobacco

Crude Materials Excluding Fuel:

- 14. Oilseeds
- 15. Wood
- 16. Silk
- 17. Cotton
- 18. Natural abrasives
- 19. Salt
- 20. Mica
- 21. Iron ore
- 22. Manganese ore
- 23. Iron and Steel scrap
- 24. Other ores
- 25. Crude animal matter
- 26. Gums
- 27. Vegetable Oils:

Seasamum, rape, mustard and groundnut oil.

Chemicals:

- 28. Industrial chemicals
- 29. Dyeing, tanning and colouring materials
- 30. Medicinal and pharmaceutical products

Machines and Transport Equipment.

- 31. Machine tools and hand tools
- 32. Components for industrial machinery
- 33. Sewing machine parts
- 34. Automobile spares
- 35. Components for electronic products
- 36. Electric equipment like small transformers, switchgears, etc.

Other Manufactured Products:

- 37. Leather
- 38. Footwear
- 39. Plywood
- 40. Cotton yarn & thread
- 41. Grey cotton cloth
- 42. Silk fabrics
- 43. Pig iron
- 44. Iron & steel castings
- 45. Aluminium ingots

Others :

- 46. Diamonds, precious and semi-precious stones
- 47. Handicrafts
- 48. Garments of silk and handloom products
- 49. Coal
- 50. Petroleum products, especially naphtha.

During a stay of 21 days in Japan it was not possible for the study team to survey the market for all these items. In some items like molasses, raw silk, oilseed, iron and steel scrap, and petroleum products, though Japan might have liked to buy from India, the latter is not in a position to export them because of supply constraints. Hence, no attempt of detailed study of the prospects for their export was made. In the case of many others, especially in the case of drugs, medicines, iron and steel castings, machine tools, spares and components, handicrafts, diamonds, footwear, etc., the price data could not be obtained partly because of

reluctance on the part of the trade to divulge prices and partly because of the diversity of sizes, quality, design etc.

In the following pages a review has been made of most of the products, based partly on published data and partly on the information collected during the study team's field visit. All trade statistics used are those published by the Government of Japan and the price data has been gathered from trade sources.

Fish & Fish Preparations

Japan is one of the largest producers and exporters of fish. At the same time she is also one of the leading importers. Over a period of years both the quantity and value of imports have increased. India has also benefited from the rising imports of Japan and in 1968 accounted for 2 per cent of the total Japanese imports of these items as will be clear from the following data:

Japanese Imports of Fish & Fish Preparations

Year	Total Imports		Imports from India	
	quantity	Value	quantity	Value
	('000 tons)	(Mill. \$)	('000 tons)	(Mill. \$)
1962	22	13	-	-
1963	41	34	-	-
1964	86	56	.7	.9
1965	116	68	.8	1.2
1966	156	104	1.0	1.7
1967	164	125	2.2	4.6
1968	179	144	3.2	6.6

Japan is largely importing fresh chilled, salted or frozen fish, mainly shrimps, prawns, lobsters, crustaceans and molluses. The Japanese people like prawns and shrimps from India. Price is also not a problem as Indian prices are competitive. If India can regularly supply quality fish in hygienic conditions it should be possible to increase exports at least five-fold by 1974, to touch the level of \$ 35 million from \$ 7 million in 1968. Trading companies find it necessary to spend money to create a taste for any particular variety of fish. They were of the view that once a market is created, there should be regular supply in sufficient quantities. They are not sure whether India would be in a position to do so because of a limited supply of quality fish.

Storage and transport of frozen or chilled fish by hygienic conditions is also a prerequisite for increasing sales to Japan. It is felt by the Japanese importing companies that India's storage facilities are inadequate and not hygienic enough for a sophisticated market. If India can collaborate with Japan for developing the fish industry it can help to expand exports manifold not only of fresh, chilled, frozen and salted fish but also of canned fish, to Japan as well as other sophisticated markets.

India's major competitors will be the countries of the Far East and South East Asia. For some of the varieties specially crustaceans and molusses, Spain will be the chief competitor. The major imports in the last two years against the sources of supply, were as found in the following page.

Japanese Imports of Fish

(Value million \$)

	<u>1967</u>	<u>1968</u>
Canada	2.3	3.8
U.S.A.	10.4	15.9
O.E.C.D. Europe	9.6	9.9
East Europe	5.3	3.5
China	16.0	13.6
Australia, New Zealand, South Africa and Finland	4.3	4.8
Developing Africa	0.8	1.8
Developing America	23.0	17.4
Far East	51.5	61.0
India's share in this	4.6	6.6
Middle East	3.6	3.8
Total	125	144

OECD - Statistics of Foreign Trade of OECD,
Trade by Commodities, Series B.

Maize

Besides its use as a subsidiary food, maize is used in Japan to meet the requirements of cattle feed, and in starch making. As there is hardly any domestic production of maize in Japan the entire requirements are met through imports. With the rise in demand, imports have risen fast as will be clear from the data on the next page.

Year	quantity '000 MT	Value Million £
1960	1,306	78
1961	1,769	103
1962	2,197	127
1963	2,434	146
1964	2,946	190
1965	2,946	197
1966	3,065	207
1967	3,185	219
1968	4,042	241

So far there are no exports of maize from India. U.S.A., Romania, China, Union of South Africa, Mozambique, Mexico, Thailand and Indonesia are the chief suppliers accounting for nine-tenths of total imports in 1968. The USA, however, is the biggest supplier having a share of nearly two-fifths. Demand is expanding at the rate of 10 per cent per annum. If the demand continues to expand at the same rate as in the past, it would reach 7 million tonnes by 1974. Even if India aims at a 3 per cent share, 200,000 tons can be exported to Japan. The major problem however is that of price. The c.i.f. price from USA was £ 63 or Rs.473 per ton in May 1969. Such a price is very unremunerative and without a substantial subsidy, India will not be in a position to offer maize at such prices.

The market prefers white Mexican type maize. Therefore, the problem will be in the supply of this variety rather than in the overall supply position. India is importing foodgrains under PL 480 from USA. Therefore, permission from the US authorities will also be required for export. All these problems are difficult to overcome but not unsurmountable and we may aim to export 200,000 tons per year by 1974 which will mean an earning of \$ 13.7 million on c.i.f. basis.

Sugar

With the rise in the population and a rise in the level of income, the demand for sugar in Japan is rising. As there is no production of sugarcane in Japan, raw or refined sugar is imported for processing and consumption. Imports have increased from 1.3 million tonnes in 1960 to 2.1 million tonnes in 1968. Thus, imports have been rising at the rate of 5 per cent per annum. If the same growth rate is maintained, by 1974 imports should touch the level of 2.5 million tonnes.

While the quality of imports has been considerably rising, there are wide fluctuations in the value of

imports. This is because of wide fluctuations in the prices of sugar in world markets. India has exported a considerable quantity during 1962-64 but thereafter exports have declined and were nil in 1968. With the improvement of supplies in 1968-69 India would again be in a position to export. If India wants to export it will have to be on a regular basis, as it will be difficult to export on an 'as and when convenient to us' basis.

The position of imports of sugar and India's share in them may be summarised as below:

Japan's Import of Sugar

quantity ('000 metric tons)				
Value (Million £)				
Total			Imports from India	
Quantity	Value		Quantity	Value
1962	1,493	118	58	1.4
1963	1,471	239	166	14.4
1964	1,541	249	66	11.7
1965	1,722	156	-	-
1966	1,738	126	44	0.9
1967	1,816	122	38	1.1
1968	2,053	147	-	-

Australia, Cuba, Indonesia, Formosa, Philippines, Ryukyu are the chief suppliers and hence will be the main competitors for India. The major problem for India is the high cost of production and lack of regular supplies for exports. In 1968 c.i.f. price in Japan was \$ 70 per tonne which is about 40 per cent of the India's ex-factory price before excise. Thus, the prices are very unremunerative and it may not be possible to get any share without heavy subsidisation which again may not be worthwhile.

Spices

Japan hardly produces any spices; the entire demand is met from imports. From the import data given below it appears that gradually consumption is rising but India's share is declining. While in 1964 out of total imports of 5207 tonnes, India had a share of 14.5 per cent, by 1968 it declined to 8.1 per cent. India's share has fallen largely because Indian prices have become uncompetitive.

Spices Imports

(Quantity tonnes)

	All Spices		Pepper	Others
	Total	From India	Total	Total
1964	5,207	756	1,150	4,057
1965	6,114	1,178	1,446	4,668
1966	6,568	933	1,991	4,577
1967	6,722	739	2,529	4,193
1968	8,612	699	2,197	6,420

Pepper accounts for nearly one-fourth of the total imports of spices which comes largely from Sarawak and Indonesia. India's share at 2 per cent is very low. It should be possible to raise the share by reducing the price, but even then export earnings will be small. There are considerable imports of cinnamon, nutmeg and cloves which India cannot export because of supply constraints. In Cardamom, India's share is more than half the total imports and it would be difficult to expand it further. There are large imports (2366 tons in 1968) of anise seed, badian, fennel, coriander, cumin, caraway, etc., in which India's share is only 120 tons. China, Iran, Morocco are the main suppliers. The scope for pushing up sales by reducing prices is only marginal and export earnings would hardly increase. In 1968

imports of all spices from India into Japan were of the order of \$ 49,000; at most, they can be expected to go up to \$ 60,000 by 1974.

Animal Feed

Animal feed includes hay, fodder, bran, oilseed cake, meat and fish unfit for human consumption. The imports of these items have grown fast, and with the rising demand India's exports have also risen which will be clear from the following data.

Imports of Animal Feeding Stuff into Japan

(Quantity '000 MT)
(Value in Million \$)

	Total		From India		India's share	
	Quantity	Value	Quantity	Value	Quantity	Value
1962	498	35	-	-	0	-
1963	689	58	1	3	0.1	1.7
1964	883	71	57	5	3.3	7.1
1965	1,096	92	30	3	2.8	3.3
1966	1,176	99	34	3	2.9	3.0
1967	1,001	72	32	3	3.1	7.1
1968	1,146	92	43	4	3.8	4.2

India is exporting mainly oilseed cake and meal. There are no exports of hay and fodder and little exports of bran, meat and fish as animal feed. In 1968, out of total imports worth \$ 92 million, oilcake, which is the major export item from India, accounted for \$ 13 million, and India's share is quite impressive at \$ 3.7 million or 28 per cent. It is possible to double these exports in no time if India is prepared to offer larger quantities and enters into a link deal for the import of Japanese products. If a link deal can be struck by 1974 India can easily export \$ 10 million of oilcake and oil meal.

Japan has imported 239,000 tonnes of bran in 1968, mostly wheat bran (237,000 tonnes) valued at \$ 15 million. Most of the imports are from Philippines (69,000 tonnes), Canada (29,000 tonnes), USA (42,000 tonnes) and Africa (43,000 tonnes). Imports from India were 2,000 tonnes. It is possible to export more if we have larger quantities to offer, by arranging proper collection and by securing a link deal along with oilcake. It should not be difficult to increase exports of bran five-fold, but in terms of value it cannot be very significant as the foreign exchange earned cannot be of an order more than \$ 1 million by 1974.

The bulk of Japan's imports of animal feed is fish meal or flour. At present, there are no imports from India; USSR, Peru, South West Africa and South Africa are the chief suppliers. The major reason is that India does not have adequate quantities to export and her prices are much higher than those of Peru. Unless supplies of fish meal and flour are developed in India it will not be possible to develop their export. It may be a worthwhile proposition to explore the feasibility of developing the fish meal industry with Japanese collaboration. If such an agreement is entered into we may aim to export fish meal worth \$ 10 million. These exports will rise much faster later after the industry gets established in India and competitive prices can be quoted.

Preserved Fruits and Vegetables

Japan does not allow imports of fresh fruits and vegetables freely because of health considerations. Imports of fruits having seeds are almost totally banned. Local supplies are inadequate. Therefore, there are considerable imports of preserved fruits and vegetables though none from India as will be clear from the following figures.

Imports of Preserved Fruits
and Vegetables

(Value in million \$)

	<u>Total Imports</u>	<u>Imports from India</u>
1964	18.0	Negligible
1965	21.7	"
1966	26.2	"
1967	24.8	"
1968	24.2	"

Japan's buying capacity is rising with the rise in the per capita income. With an increasing level of sophistication in the way of living, the consumption of canned fruits and vegetables has been rising. Due to the restrictions imposed, however, imports have tended to remain static around \$ 25 million. It is expected that these restrictions will be reduced gradually from January 1970 onwards, and that imports will rise. Another factor is that at present preserved fruits and vegetables are subject to import duties ranging from 8 to 40 per cent. These duties are expected to be reduced to 5 to 20 per cent by January 1, 1972. This will also help to increase the imports. It may

be expected that by 1974 imports will double to around \$ 50 million. Thereafter, the growth may be at least 10 per cent per annum (a little higher than the growth rate in income).

At present, India's share is only \$ 5,000 which is a fraction of one per cent of Japan's imports. The Japanese visiting India like Indian mangoes, gauvas and other fruits typical of India. Therefore, it should not be difficult to develop the market, provided we take steps to improve our canning and packing, develop contacts with leading super markets and departmental stores, advertise properly and ensure regular supplies. In the initial stages, the exports to Japan may be done through bulk exports to Hong Kong where the product would be retail-packed, till such time as India improves her retail packing techniques and ~~develops~~ contacts in Japan through their trading companies.

In 1968 the figures for imports were as below:

Imports of various types of preserved
fruits and vegetables

	<u>quantity MT</u>	<u>Value '000 \$</u>
1. Fruits preserved with sugar	1,841	948
2. Jams	4,315	1,531
3. Marmalades & fruits jellies	197	118
4. Fruits fumes and pastes	77	42
5. Tomato juice in air tight containers	801	370
6. Orange juice	214	77
7. Pineapple juice	1,476	272
8. Other fruit juices	327	260
9. Fruits preserved by freezing	320	108
10. Fruits preserved by sulphur dioxide gas for further processing	811	342
11. Peel of fruits preserved in brine etc.	64	32
12. Canned fruits	66,378	18,594
13. Nuts/dry fruits prepared and preserved	1,308	801
14. India's share in these	54	3
15. All others	1,841	702
 TOTAL	 81,024	 24,200

It will be observed from the above data that canned fruits are the most important; India will do well to concentrate on them, especially mangoes, guavas and other fruits that are Indian specialities. There are also good prospects for tomato juice and exports of nuts and dried fruits. It should be also possible to

introduce special vegetables, but the prime need is to improve and expand processing facilities in India. India could well aim at exporting preserved fruits and vegetables worth \$ 5 million per year by 1974.

Tea and Coffee

Japan consumes both tea and coffee but it appears that the Japanese prefer tea. Therefore, consumption of tea is nearly double that of coffee. This is probably because there is local production of tea and none of coffee. The relative consumption of the two beverages is given below:

Estimated Consumption of Tea and Coffee^{1/}

('000 MT)

	<u>Tea</u>	<u>Coffee</u>
1962	71	15
1963	80	17
1964	82	22
1965	76	19
1966	88	46
1967	91	41
1968	NA	46

^{1/} Estimated on the basis of production + imports - exports.

Though tea has continued to occupy the first place, it appears that gradually coffee is also becoming popular. Therefore, while during 1962-67 consumption of tea increased by 28 per cent that of coffee rose by 206 per cent. If this trend continues in future coffee may well become more important than tea.

Despite the larger consumption of tea, imports of tea are marginal to fill the gap between the local supply and the demand. As for coffee, since none is grown in Japan all requirements have to be met through imports. In 1968, while imports of tea were only 5,000 tons those of coffee were 46,000 tons. Therefore, from exporting country's point of view, coffee is more important. However, under the Coffee Agreement, India has not been allotted any quota for export to Japan. The prospects for coffee will depend upon getting a quota for which India should press.

Japanese Imports

	<u>Total Imports ('000 MT)</u>		<u>Imports from India (Tonnes)</u>	
	Tea	Coffee	Tea	Coffee
1962	2	15	-	-
1963	3	17	-	-
1964	22	22	-	-
1965	4	19	70	-
1966	7	46	209	-
1967	5	41	254	-
1968	5	47	582	-

It will be observed from the above table that India's share in Japan's coffee market is nil and in tea it was 12 per cent in 1968. Out of the total imports of 5,000 tons of tea, more than 4,000 tons is of black tea, as distinct from green tea. The bulk of the imports are from Ceylon through Lipton's and Brooke Bonds. Tea is subject to quota restrictions and there is a control on importers. India can sell more if a larger quota is given for Indian tea and the control is broken. It appears that the Japanese prefer the Darjeeling and other high grown Indian tea. It is therefore, possible to increase our share, but even if India gets a share of 25 per cent by 1974, the earnings will be only \$ 1.8 million at 1968 prices. If India can sell more packed tea in retail containers, earnings

may go up to \$ 2 million. India should press for a larger quota for tea especially when there is no quota for Indian coffee.

Tobacco

Japan's import of tobacco has risen from \$ 32 million in 1962 to \$ 48 million by 1968. While India is a big exporter to many other countries her share in the Japanese market has generally been low. The position will be clear from the following statistics.

Import of Tobacco

	Quantity '000 MT			Value (Million \$)		
	Total	From India's	'India's Share %	Total	From India	'India's Share
1962	18	0.7	3.9	32	0.4	1.3
1963	16	1.3	8.2	31	1.3	4.2
1964	29	3.6	12.4	47	2.6	5.5
1965	25	0.7	2.8	45	.7	1.5
1966	32	1.5	4.6	62	1.9	3.1
1967	30	2.7	9.0	57	3.3	5.7
1968	27	3.3	12.2	48	4.0	8.3

In Japan all purchases, imports and sales of tobacco are through a monopoly organization. U.S.A. is the biggest supplier of tobacco to Japan having a share of 55 per cent of her imports in 1968. Greece, Thailand and Turkey are other competitors. In 1968 India was able to expand her exports to Japan mainly because of certain restrictions placed on the import of Rhodesian tobacco. Imports have been on the whole static around 30,000 tonnes per year. Therefore, there is little chance for expansion of India's exports. We should aim at maintaining our share at least at the present level.

Though it may not be possible to sell more tobacco, there appears to be some scope for developing exports of cigarettes. In 1968, Japan imported 1,392 million cigarettes valued at \$ 5 million. Most of the imports are of internationally known brands from Ryukyu, West Germany and USA. If India exports U.K. brands of the Imperial Tobacco Company there will be good prospects. In the first few years it will be a hard task as a demand will have to be created for Indian cigarettes and the initial cost of advertising will be high - may be 15 - 20 per cent of the expected sales value. However, once the market is created it is reasonable to expect that there will be a continuous expansion. Therefore, while

we may not expect an export of the order of more than \$ 1 million by 1974 there is every possibility of the exports expanding steadily thereafter.

Hides and Skins

Japanese imports of hides and skins have expanded from \$ 63 million in 1962 to \$ 74 million by 1968. Imports have risen faster in volume than in value from 143,000 tons to 195,000 tons. Exports from India have declined, because of India's policy of exporting leather in preference to hides and skins. In Japan there is also a growing market for undressed fur skin; imports of these have been increasing steadily as will be clear from the following data:-

Japanese Imports

(Value Million \$)

	<u>Hides & Skins</u>		<u>Fur Skin</u>	
	Total	From India	Total	From India
1962	63.1	0.2	0.6	Neg.
1963	59.3	0.2	1.6	Neg.
1964	58.5	0.2	5.5	Neg.
1965	58.9	-	5.6	Neg.
1966	98.4	0.1	10.3	Neg.
1967	74.7	0.2	7.6	Neg.
1968	74.1	0.01	8.7	Nil

In fur skin, imports from India are negligible. USSR is the biggest supplier with a share of half of the total; Poland is the second biggest exporter to Japan.

India's exports of hides and skins which have been falling will soon become nil because of her policy of gradually banning their exports. Efforts should not be directed towards developing trade in fur skin. It is, however, worthwhile noting there that though Japan has been leaving some of the simpler and cruder activities to the less developed countries, she still chooses to import hides and skins in preference to leather. Therefore, imports of hides and skins are rising steadily.

Vegetable Oils and Oil Seeds

While Japan has banned the imports of vegetable oils, India normally does not allow export of oil seeds except for small quantities of hand picked groundnut kernel. So long as these policies are pursued by the two countries there can be no prospects for trade in these commodities. If Japan allows import of vegetable oils or India permits export of oil seeds, there can be a big volume of trade, especially in groundnuts, linseed and cotton-seed.

There are large imports of copra, palmnuts and soyabeans into Japan; but as these are not produced in India, she will not be in a position to take advantage of this market.

For groundnut, China and Nigeria are the chief suppliers. Linseed is imported mainly from Canada; copra and palm oil from South East Asia. Cotton-seed is supplied largely by Nicaragua, Nigeria and Thailand. Soyabean is imported from USA and China. Other oil seeds are imported largely from USA and Canada. India's share is nil. The position is summarised as follows:

Japan's Imports of Oil Seeds

	(quantity '000 MT)			
	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
<u>Total Oil seeds</u>	2,676	3,260	3,252	3,482
<u>Copra</u>	94	108	112	126
<u>Soyabean</u>	1,847	2,168	2,170	2,421
<u>Linseed</u>	103	117	107	100
Canada	102	116	107	99
<u>Cotton-seed</u>	217	266	216	246
Nicaragua	130	112	67	37
Nigeria	29	65	50	47

(Contd....)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
<u>Groundnut</u>	25	38	30	49
China	12	15	12	14
Sudan	1	2	4	11
Nigeria	6	15	9	15
India	Neg.	Neg.	Neg.	Neg.

It will be observed from the above table that soyabean is most in demand and it is not produced in India. The second and the third place go to cottonseed and linseed. There are also considerable imports of rape seed (250,000 tons in 1968), mustard seed (8,000 tons) and sesame seed. Besides the policies of the two countries, shortage of supply and higher Indian prices are other obstacles. If these conditions continue, there can be no prospect for India exporting oil seeds to Japan.

Wood

Japan is a big importer of wood required in certain industries and in construction works. Imports have increased rapidly from \$ 287 million in 1962 to \$ 1036 million in 1968. India has been exporting

only sandal, rose and teak wood. Our exports have increased faster than the total imports of Japan. This has raised India's share from 0.1 per cent in 1962 to 0.6 per cent by 1968. USA, USSR, Sabah and Philippines are the major suppliers. In 1968 they had a share of over four-fifths.

During 1962-68 imports have risen as shown below:-

Imports of Rough Wood by Japan

(Value Million £)

	<u>Total Imports</u>	<u>Imports from India</u>
1962	287	0.4
1963	365	0.7
1964	394	0.9
1965	453	1.8
1966	618	2.0
1967	838	2.8
1968	1036	5.9

Japan is importing large quantities of broad leaved wood from tropical countries of South East Asia. It should not be difficult to export Indian broad leaved wood for the manufacture of pulp, and larger quantities of teak and other timber for construction. There are also possibilities of further expanding the sales of

sandal and rose wood. India can reasonably aim at having a share of one per cent by 1974. This would imply exports of the value of \$ 20 million if Japanese imports continue to grow at the same rate (24% p.a.) as in 1962-68.

In order to achieve these targets, it will be necessary to reduce the freight rate to the level of those charged by India's competitors who have a locational advantage. This will be possible only if bigger freighters sail from India and special rates are charged for low value high bulk product.

Cotton

In Japan domestic production of cotton is negligible at 1 thousand tonnes per annum. Thus, the entire requirements of her cotton textile industry are met from imports. The structure of Japan's textile industry has undergone a considerable change in the last two decades. There has been a downward trend in the production of cotton fabrics. Their monthly average production has declined from 257 million square metres in 1962 to 229 million sq. metres in 1968. This trend is continuing and in January 1969 production

was 220 million sq. metres. Though cotton fabric production has declined; cotton yarn production has risen from 41,000 tons per month in 1962 to 44,000 tons per month by 1968 to meet an increased demand for towels etc. There is also increased production of cotton blended fabrics.

During 1963-66, imports of cotton remained static around 700 thousand tons per year, but in 1967-68 there was a spurt in imports because of the increased use of cotton for blending with synthetic fibres. While in earlier years pure synthetic fabrics were more popular, recently the demand has converged towards blended fabrics. While it may be difficult to assess correctly the future trend in the context of quick changes in consumer preference, it is expected that at least for the next few years there will be a greater demand for blended fabrics. Therefore, cotton imports may continue to rise and may reach 900 thousand tons by 1974. The imports in the last few years have been as indicated below:

Japan's Import of Cotton Excluding
Linters

Quantity Imported ('000 MT)

Year	Total	From India	India's share %
1962	602	46	7.6
1963	707	47	6.6
1964	692	39	5.6
1965	702	35	4.9
1966	704	25	3.6
1967	753	37	4.9
1968	808	32	3.9

It will be observed from the above table that India's share in the Japanese market has declined from 7.6 per cent in 1962 to 3.9 per cent by 1968. This has happened due to a number of factors chief among which are the changes in the pattern of demand for cotton in Japan, the supply constraints in India and uncompetitive prices quoted for Indian cotton. Up to the early sixties Japan used to import large quantities of short staple cotton for producing low count yarn and India had a share in it. Gradually, however, the production of coarser yarn and cloth has declined and this has reduced the size of the market for short staple cotton. In future, the demand will increase further in favour of long staple cotton for blending with synthetic fibres and

producing fine cotton cloth instead of coarse cloth. .

In India, there is an overall shortage of cotton especially of long staple cotton. The area under Bengal Deshi Variety has been partly diverted to better varieties thereby reducing the supplies of Bengal Deshi which used to be popular with Japan. This has resulted in India's not being in a position to offer as much Bengal Deshi as could have been sold. In future also this supply constraint is expected to continue, as additional production of cotton is intended to be used for import substitution in India rather than for export promotion. Therefore, even if there is a demand in Japan, India will find it difficult to offer large quantities.

Indian prices and terms of sales are also not competitive. The USA is the major supplier accounting for 29 per cent of the total imports in 1968. Mexico, Nicaragua, Tanzania, UAR, Sudan, USSR and Brazil are other competitors. In the case of many of these countries, cotton is a major export product and they are prepared to buy Japanese goods against larger imports of their cotton. USA is able to offer better terms because of her balance of payments position and the need for exporting large quantities of cotton.

For the reasons explained above India cannot expect to effect larger sales of cotton to Japan. She may at the most aim to maintain her cotton exports at the average level for the last five years.

Coal

Domestic production of coal has been small and the seams are gradually becoming exhausted. The monthly average production has gone down from 4.6 million tons in 1961 to 3.8 million tons in 1968. Japan is trying to reduce dependence on coal by greater use of electricity and gas. During 1961-68 the production of electricity has nearly doubled from 103 million kWh in 1961 to 194 kWh in 1968 and that of gas from 20,532,000 million kilo calories in 1961 to 38,000,000 million kilo calories in 1968. While this has reduced the share of coal in the total consumption of energy, the overall consumption of coal has been rising. This has raised the imports, but imports from India have been negligible. The following data clarifies the position.

Import of Coal

(Million MT)

	Total Imports	India's Share	
		Quantity	% of Total
1962	12.0	0.02	0.17
1963	11.3	-	-
1964	13.2	0.01	0.08
1965	17.1	0.008	0.05
1966	19.5	0.005	0.05
1967	25.5	-	-
1968	32.4	0.004	-

India has not been able to export more coal to Japan in spite of a rising demand because most of the imports into Japan (92% in 1968) are of coking coal which India is not able to spare. In Japan's import of 1.5 million tons of anthracite coal, India's share at 5,000 tons is negligible; this is because India is not able to compete with the Republic of Korea, China and Vietnam who have a locational advantage. South Africa who has a locational disadvantage over India is also a big supplier of Anthracite coal to Japan accounting for one-fourth of her total imports of this item. In 1968, the c.i.f. price from South Africa was \$ 21 a ton. Considering that the freight from India is \$ 7 a ton, the f.o.b. price from India should be \$ 14 a ton to be competitive with the South African price.

As such a price would be unremunerative, India has no bright prospects in exporting Anthracite coal to Japan.

Mica

In 1968, Japan imported 18,000 tons of mica valued at \$ 4.4 million. Observing the size of the electric industry this indicates that Japan is a small market for mica, as substitutes of mica are being used. India enjoys a share of three-fourths in terms of value and hence the chances for further expansion are little. Brazil is the major competitor for mica blocks and Madagascar for mica splittings. In mica waste India has a virtual monopoly.

Imports in 1968

(Quantity MT)
(Value '000 \$)

	Total		Imports from India		India's share	
	Qty.	Value	Qty.	Value	Qty.	Value
<u>Mica Blocks</u>	2,058	2,084	475	1,792	23	86
<u>Mica Split-</u>						
<u>tings</u>	1,053	1,904	652	1,239	62	65
<u>Mica Waste</u>	2,387	211	2,086	189	87	90
<u>Mica un-</u>						
<u>worked</u>	12,780	114	2	12	-	-

The demand for mica is not expected to rise in future because of its substitution by synthetic products. The only scope for increasing earnings is by selling elements instead of mica. If we are able to do so earnings are bound to go up.

Japan is interested in buying elements because it will be economical to her. According to the information gathered from trade, in India daily wages for a worker in element manufacturing is Rs. 5 and the output is 4 kg. per day. In Japan the wages are Rs. 18 per day and the output 8 kgs. Thus the labour cost in India is Rs. 1.25 a kg. against Rs. 2.25 a kg. in Japan. If India exports elements she will gain Rs. 1.25 a kg. and Japan will save Re. 1 a kg. In spite of advantages to both countries, so far there are no exports of elements because of lack of production facilities in India. For creation of production facilities the only step required is to allow the import of dies, wiring and copper. Japan's elements for certain purposes are complicated and dies for them according to exact specifications are not available in India at any rate and so the end users in Japan do not feel confident about Indian made dies. The cost of die is Rs. 5,000 which has a life of one year and can produce two million pieces.

Wire and copper requirement is around 10 per cent of the export price. There will also be need to import some gauging metres. It may be estimated that the overall import content will be around 15 per cent of the export price. There will be still considerable net gain to India specially in case of mica waste as will be clear from the following figures.

Expected price of 1 kg. of elements of mica	13 sh.
Import content in elements including dies, etc.	2 sh.
Net realisation on elements	11 sh.
Existing export realisation on 1 kg. scrap	1 sh.
Additional foreign exchange earnings per kg.	10 sh.

It will be observed from the above data that if instead of mica scrap the element is exported, there will be ten-fold additional increase in export earnings from £ 189 thousand to £ 2079 thousand. There will be an addition to the earnings of foreign exchange from the waste of mica blocks and splittings also by exporting elements but in those cases the gain will be much lower. It may be expected that overall exports can rise from £ 3.2 million to £ 6 million by 1974 if this item

is given special attention. In order to get the maximum advantage, it will be necessary to enter into long-term contracts with consumers in Japan and deliver according to the schedules agreed upon.

Iron Ore

Japan is the third largest producer of iron and steel in the non-communist world; only U.S.A. and West Germany have larger production. Japanese production has increased from 22 million tons of crude steel in 1960 to 67 million tons in 1968. The Japanese steel industry is going in for speedy expansion to reach the level of 100 million tons by 1972-75. Once this level is reached, they expect to slow down the pace of expansion to attain the production of 120 million tons by 1985.

As domestic production of iron ore is limited to one million tons, the industry depends mostly on imports. In 1968, imports were 68 million tons, i.e., at the rate of one ton of ore for one ton of crude steel; the rest of the requirement was met by using iron and steel scrap. In future, supply of scrap is not expected to rise as fast as steel production. It is, therefore, expected that in future the proportion of ore used will rise.

It is estimated by the steel industry and the trading companies that by 1975 iron ore imports may rise to 150 million tons^{1/}. Thus, during 1969-75, imports will rise by 120 per cent. Here, therefore, is a vast market for Indian exports of iron ore.

In Indian exports to Japan, iron ore has a predominant place, accounting for half of the total. However, over the years India's share in total ore imports has considerably decreased, as will be clear from the following data :

Japanese Import of Iron Ore

(Million tons)

	<u>Total Imports</u>	<u>Imports from India</u>	<u>India's share %</u>
1950	1.4	0.1	7.14
1955	5.5	1.3	23.64
1956	14.9	3.6	24.16
1965	38.8	7.7	19.84
1966	45.8	10.11	22.07
1967	54.4	10.6	19.48
1968	67.9	12.6	18.55

^{1/} Based on discussion with leading importing companies and one steel mill.

According to the estimates made by the industry, in 1969 the total imports are expected to be 80 million tons and imports from India 15.8 million tons. The overall imports will continue to rise but industry expects that during 1970-72 annual imports from India will be 15 million tons. By 1975 when total imports are expected to rise to 150 million tons, imports from India are expected to be at the most 20 million tons. Even this will be possible only if some long term contracts are entered into. On the basis of existing contracts, sales to various Japanese steel mills will start falling from 1970, as will be clear from the following figures:

Mill-wise Long-term Contracts with India

(Position as in May 1969 - Information from trade)

(quantity in million tons)

Name of the Mill	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Yawata	3.2	3.6	3.7	2.5	2.5	1.3	1.3	1.3	0.8	0.5
Fuji	3.0	3.2	2.9	2.2	2.2	2.3	2.3	2.2	1.7	0.7
NKK	1.8	2.4	2.4	1.8	1.7	1.7	1.5	1.5	1.2	0.3
Kawasaki	1.6	1.5	1.4	1.0	1.0	1.0	1.0	0.6	0.4	0.3
Sumitomo	1.5	1.6	1.4	1.0	1.0	1.0	1.0	1.0	0.8	0.2
Kobe	1.2	1.1	0.6	0.4	0.4	0.4	0.4	0.4	0.2	0.2
Nisshin	0.2	0.4	0.4	0.3	0.3	0.2	0.1	0.1	0.1	0.1
Nakayama	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
TOTAL	12.8	14.0	13.0	9.3	9.2	8.0	7.7	7.2	5.3	2.4

The imports under existing contracts from India's competitors will fall and the industry in Japan expects that bulk of the imports in future will have to be under long-term contracts to be newly entered into. However, in new contracts India will face tougher competition because in iron ore there is a 'buyers market' and competition with Australia and South Asian countries will be acute. It is expected that competition with South East Asia will be less intense than in the past because "the mines in these areas are not very large in scale, and the ore deposits are dwindling. Furthermore, the loading facilities are not large enough to accommodate large ore carriers. In addition, the ores mined there, are of relatively low quality"^{1/}. The trend in this direction has already started as will be clear from Table 8.

Problems

The quality of Indian ore is considered good except for one or two minor snags. One of them is the

^{1/} Japan's Iron and Steel Industry 1968; p.140.

Japanese industry feels that Goa ore is low in its ferrous content and contains a larger amount of impurities. Other Indian ore is generally acceptable except being lumpy which is a little disturbing as the Japanese steel mills will in future tend to prefer fine ores for sintering. These are, however, minor issues which can be negotiated; the Japanese industry on the whole is satisfied with the quality and the iron content in Indian ore.

The basic problem is of price. The c.i.f. price of Indian ore is \$ 2 per ton more than that of Australian ore. It is entirely because of the freight differential. The freight from Calcutta to Japan is \$ 7 per ton as against \$ 4 to \$ 5 per ton from Australia or even Brazil. The lower freight rates from Australia and Brazil are mainly because their ships have the capacity of 100,000 tons as against the 35,000 tons capacity of ships from India. After 2 years, i.e., by the beginning of 1971 freighters from Australia are expected to be even larger having a capacity upto 150,000 tons and those from Brazil upto 200,000 tons. This will further reduce the

freight for the ore from these countries. It is expected that freight from Brazil will come down to \$ 2 to \$ 3 per ton by 1971 in spite of Brazil's being at a longer distance than India. The reduction in freight rates has also become possible by a 'combination service' which eliminates empty ships from Japan.

Japan's steel industry is very anxious to lower the freight cost and a programme has been launched for the construction of bulk ore carriers. The shipping companies have been given loading guarantees by steel companies either singly or jointly with other steel companies. Therefore, for making Indian ore competitive, it is necessary that India develop facilities to berth and load ore carriers of 100,000 tons at ports from which iron ore is exported. If Haldia and Paradeep ports are developed in full, it should be possible to get bigger orders for ore from Japan.

India should also enter into new long-term contracts because exports under existing long-term contracts will start declining after 1970. Exports from other mining

areas in the country are under renewable three-year contracts entered into by the Metal and Mineral Trading Corporation. The Japanese steel industry seems to have a preference for longer term contracts and one contract with Australia is for 20 years for 100 million tons of ore. It may be advantageous for India to enter into a 10 years contract for ore from the several mining areas of the country and get the Japanese steel industry interested in coming forward with additional investment for development of ore mines and port facilities. The project for new investment can be financed by exports of iron ore. Japan has such agreements with other countries and will be willing to go along similarly with India also. An important factor to be reckoned with, however, is that once Japan enters into commitments to buy the necessary quantities from other sources, India will have hardly any chance to sell more. Therefore, prompt action is necessary. The Japanese steel industry will have to be assured that mines and ports facilities will, in fact, be developed according to the schedules agreed to. If this can be done, India can expect to export 24 million tons of ore by 1974 as against the present expectation

of 20 million tons. On the basis of an average f.o.b. price of Rs. 54 (£ 7.2) per ton in 1968 this will mean a foreign exchange earning of £ 173 million by 1974.

An important consideration which has to be borne in mind when planning the export of increased quantities of iron ore is that in Japan the demand is largely for fine ores. According to the information furnished by a leading trading company, fine ore price is 16 US cents per one per cent iron content. On the basis of 60 per cent ore content, fine ore costs £ 9.6 per ton against £ 15.0 per ton for pellets. The conversion cost of both is the same and hence at present pellets are not preferred. Briquettes are also not preferred. Japanese steel mills have large size blast furnaces and briquettes do not have enough strength. Since the first preference is for fine ore, we have to orient our future programmes of exports in terms of fine ore.

Manganese Ore

With the expansion of the steel industry in Japan, the demand for manganese ore has gone up but the share

of India has been gradually declining as will be evident from the following figures.

IMPORTS OF MANGANESE ORE

	Total	<u>Quantity Imported ('000 tons)</u>	
		India	India's share %
1962	359	145	40.4
1963	368	166	45.1
1964	559	340	60.8
1965	1065	466	43.7
1966	1140	421	36.9
1967	1507	474	31.5
1968	1740	618	34.2

With the technological developments that have been taking place in steel making, consumption of manganese ore per ton of steel has fallen from 0.039 ton in 1950 to 0.015 ton in 1967.^{1/} In future, there may not be much scope for further reduction in the ratio of manganese ore. On this assumption, by 1975 when 100 million tons of steel is expected to be produced,

^{1/} Calculated on the basis of data of crude steel production and manganese ore consumption published in Japan's Iron & Steel Industry, 1968.

imports of manganese ore may be estimated to be of the order of 2.6 million tons against 1.72 million tons in 1968.

India has a share of 35 per cent in Japan's imports of manganese ore but is finding it difficult to maintain this share, because prices for Indian ore are no longer competitive. India's major competitors for ferrogenous manganese ore are South Africa, Malaysia and Australia. The manganese content of their ores at 32 to 38 per cent is higher than the 28 to 30 per cent of most of the Indian ore. For the same price on a percentage content basis the steel industry prefers to buy the higher content ore because it implies a saving in freight. That Indian prices are higher will be clear from the following table of prices that prevailed in 1968:

CIF PRICES OF FERROGENOUS MANGANESE
ORE DELIVERED IN 1968

	<u>CIF Prices £</u> <u>per MT as supp-</u> <u>lied</u>	<u>All prices on</u> <u>30% basis</u>
<u>India</u>		
30% basis	18.31	18.31
<u>South Africa</u>		
a) Associate Manganese		
32% basis	19.66	18.55
b) S.S. manganese 32% basis	17.32	16.23
Malaysia 30% basis	14.70	14.70

The major reason for India's being uncompetitive is the higher freight rate as will be clear from the following:

	<u>Freight Rates on Manganese Ore per DMT in £</u>
India to Japan	5.88 - 6.16
South Africa to Japan	4.76
Malaysia to Japan	4.20
Australia to Japan	7.00

South Africa which is located at a further distance than India levies a lower freight rate. If India has to become competitive in manganese ore, freight rates will have to be reduced.

For metallurgical manganese the major competitors are Gabon, USSR, Australia, Brazil, Thailand and Philippines. In this case too Indian prices are uncompetitive compared to those quoted by the majority of suppliers as will be clear from the following figures:

1968 METALLURGICAL MANGANESE ORE
PURCHASE PRICE

	Price CIF M.T. in \$ for 46/48% high grade ore	Quantity purchased M.T.
Gabon	35.50	50
U.S.S.R.	33.00	8
South Africa	33.50	40
India	32.50	40
Australia	32.50	50
Brazil	31.50	40
Thailand	30.50	10
Philippines	30.00	20

The quantities purchased have not solely depended on how far the price has been competitive and larger quantities have in fact been purchased from high price sources. This has happened because suppliers who quoted lower prices like Philippines and Thailand were not having adequate quantities to offer. India has a reasonable chance of getting a larger share by bringing down the freight rate and by entering into a long-term supply contract. The inhibitory

factor, however, will be that the other suppliers may also reduce the price. In balance, therefore, it would be reasonable to expect that India would be able to maintain her share at 35 per cent and earn \$ 13.8 million by 1974 if prices are stabilised.

Iron and Steel Scrap

The iron and steel industry of Japan has been consuming ore and scrap in the ratio of 2:1. In future when crude steel production is expected to rise to 100 million tons, this ratio is not expected to be maintained because of the difficulty in producing the additional quantum of scrap. The total raw material requirement will be around 160 million tons by 1975. Against this, the availability of scrap is not expected to be more than of the order of 40 million tons.

As will be clear from the following data the bulk of scrap is collected locally

IRON AND STEEL SCRAP SUPPLY IN JAPAN
(Million tons)

	<u>Home Production</u>	<u>Imports</u>
1955	5.3	1.3
1960	11.1	4.4
1965	18.6	3.4
1966	20.1	3.5
1967	24.9	6.7
1968	N.A.	3.9

Sources: 1) Japan Iron & Steel Industry
1968 Edition.

2) Japan's Economic Planning Agency -
Economic Statistics.

Imports fluctuate widely, depending upon US supplies which account for four-fifths of the total. India is the second biggest source and her exports were rising upto 1967. In 1968, there was a fall in imports from India due to supply constraints. The position will be clear from the following figures:

IMPORTS OF IRON & STEEL SCRAP (MILLION TONS)

	<u>Total Imports</u>	<u>Imports from India</u>	<u>India's share %</u>
1962	3.6	0.15	4.17
1963	4.6	0.31	6.74
1964	5.1	0.32	6.27
1965	3.4	0.44	12.94
1966	3.5	0.42	12.00
1967	6.7	0.50	7.46
1968	3.9	0.37	9.48

Japan is willing to buy more scrap from India but for want of adequate supplies, India will not be in a position to offer more. Therefore, it will not be possible to increase India's export earnings from this item.

Industrial Chemicals

Japan is a big producer and consumer of heavy and fine chemicals. In order to produce certain of these fine chemicals, many intermediate chemicals are imported, and in other cases imports are to supplement local production. As the local supplies are not keeping pace with the demand, imports have increased in organic chemicals from \$ 75 million in 1962 to \$ 170 million in 1968 and in inorganic chemicals from \$ 22 million to \$ 63 million. Imports of various sub-groups have changed as follows:

IMPORTS OF INDUSTRIAL CHEMICALS
(Value Million \$)

	<u>1962</u>	<u>1967</u>	<u>1968</u>
I. <u>Organic Chemicals</u>	75	163	170
i) Hydrocarbons	14	40	39
ii) Alcohols, phenols, etc.	11	14	15
iii) Ethers, peroxide, acetates etc.	5	5	3
iv) Aldehyde, ketone & quinone compounds	7	6	7
v) Organic acids	7	27	17
vi) Nitrogen-function compounds	13	24	28
vii) Organic-inorganic compounds	15	42	56
viii) Other organic chemicals	2	3	3
II. <u>Inorganic elements, oxides, etc.</u>	16	40	45
i) Chemical elements	6	19	18
ii) Inorganic acids	2	3	4
iii) Metallic oxide for paints	1	3	4
iv) Inorganic bases	8	15	17
III. <u>Other Inorganic Chemicals</u>			
Metal compounds of inorganic acids	0.4	3	2
IV. <u>Radio Active Materials</u>	2	9	9
V. <u>Crude Chemicals from Coal</u>	1	4	4

At present imports from India are very insignificant largely because of the supply constraints in India. In 1968, the total imports of industrial chemicals from India were of the order of \$ 525,000 composed as follows:

Imports from India
('000 £)

1. Caprolactum	45
2. Sulphonamide	3
3. Chlorides and Oxychlorides	1
4. Crude rare earth metal chlorides	474
5. Naphthalene crude	2

In the immediate future also, prospects do not appear to be bright, but for a few exceptions. Japan will be interested in buying liquid chlorine if we can offer large quantities and enter into a supply contract for a minimum period of 3 years. Price should not be a problem because for India, chlorine is a waste material in the caustic soda industry, while in Japan there is a shortage; in order to produce more chlorine, more caustic soda has to be produced which Japan is finding difficult to sell. Therefore, she is interested in buying chlorine from India. In order to export liquid chlorine high pressure tankers will be needed which the trading companies of Japan are willing to provide if India is willing to enter into a long term deal. There will also be need for developing proper storage facilities at Indian ports of despatch. Methanol can sell up to about 10,000 tons a year, if India can offer

reasonable prices, around \$ 60 a ton f.o.b. The present price of \$ 64 is not acceptable. If it is possible to arrive at an agreement regarding price, India can earn around \$ 0.6 million a year from methanol exports to Japan.

There is a world-wide shortage of acetone, and ethylene and Japan is interested in buying these products from India. In terms of value, however, they will not be big items.

Japan is also very much interested in buying crude naphtha for her petrochemical industries, but due to the supply constraint in India, it will not be possible for India to offer large quantities on a long-term basis. A beginning has already been made in this direction but it will be difficult to export after 1972 because of the rise in domestic demand.

On the basis of the above assessment, at the most, India may aim to export industrial chemicals worth \$ 2 million by 1974 and that too will depend upon our supply position.

Dyes, tanning and colouring materials

Japan consumes large quantities of dyes in her textile, paint and paper industries. A large percentage of requirements are met from local production. Certain dyeing materials and elements are imported for further processing and making finished dyes. There are also imports of finished dyes for ready use. In India the dyes industry has developed fast and at present there is an excess capacity. However, the prospects for export of dyes from India to Japan are not bright. Most of Japan's imports of dyes, except for vegetable tanning extracts, are from industrialised countries. Imports of natural dyes and tanning materials have also declined because of the greater use of synthetic dyes. The pattern of imports has changed as shown below:

IMPORTS OF DYES, TANNING MATERIAL, ETC.

	(Value Million \$)		
	<u>1962</u>	<u>1967</u>	<u>1968</u>
Synthetic organic dyestuffs			
natural indigo and lakes	16.4	26.8	27.2
Dyeing & tanning extracts	5.1	4.1	4.6
Pigments, paints, varnishes, etc.	6.1	13.4	16.0

In 1968, out of the total imports of £ 47.8 million, India has a share of £ 65,000; this export from India comprised only synthetic resins and ship-bottom paints and no dyes. On the basis of the growth rate of 9.6 per cent per annum in Japanese imports during 1968-74 India may expect to export resins and paints and possibly some dyes worth £ 112,000 by 1974.

Medicinal & Pharmaceutical Products

In Japan, with the rise in population, the per capita income, and consciousness about health and hygiene, the demand for medicines is rising. A large proportion of the rising demand is met from domestic production. For example, production of penicillin in Japan has increased from a monthly average of 31,429 hundred million units to 51,558 hundred million units in 1968. During the same period Vitamin 'B' production has gone up from 10,984 kg. per month to 49,395 kg. per month. In spite of a fast growth in domestic production, the value of imports has increased more than four-fold from £ 27 million in 1962 to £ 128 million in 1968. The

largest growth rate has been in antibiotics from \$ 3 million in 1962 to \$ 21 million in 1968. In absolute value, medicaments are most important with a share of 63 per cent of total imports in 1968.

The pattern of imports of various drugs and medicines has changed as shown below:

JAPANESE IMPORTS OF MEDICINAL AND
PHARMACEUTICAL PRODUCTS

	(Value in Million \$)		
	<u>1962</u>	<u>1967</u>	<u>1968</u>
Medicinal and Pharmaceutical products	27.0	98.0	127.8
i) Vitamins, provitamins	1.7	7.1	8.2
ii) Antibiotics	2.9	14.5	21.3
iii) Alkaloids of opium cocaine, caffeine, quinine, etc.	1.4	2.0	3.0
iv) Glycosides, glands & their extracts, sera vaccines	1.6	0.2	0.3
v) Hormones	1.9	7.3	7.4
vi) Medicaments	17.0	62.1	80.5
vii) Pharmaceutical goods	0.6	2.8	4.7

West Germany is the biggest supplier followed by U.S.A., U.K. and Switzerland. The four industrialised countries have a share of four-fifths of Japan's imports.

Indian exports in 1968 were of the order of \$ 43,000. It will be very difficult for India to get a foothold except in some basic pharmaceuticals because of the availability of sophisticated medicines from advanced countries. She may expect to raise exports at the most by 10 per cent per annum to reach \$ 75,000 by 1974.

Machinery and Transport Equipment

Japan is a big exporter of industrial, transport and electric machinery and equipment. Even so, Japan is importing large quantities of certain machinery and equipment from other countries. In 1968 imports were worth \$ 1052 million as against \$ 770 million in 1962. The rate of rise in imports was 5.3 per cent per annum during 1962-68. In future, imports are expected to rise at a much faster rate because in the case of some of the machinery items, it is becoming economical to import components and spares rather than produce them locally, because of the rise in the wages of the Japanese worker. There is a growing feeling in Japan that in the case of certain simple components

required for the manufacture of electronics, automobiles, power generating and distributing machinery and machines and their spares, it would be advantageous to import rather than produce them locally. It may be expected that during 1969-74 imports may at least double to \$ 2100 million by 1974.

At present most of the imports are of sophisticated industrial machinery and their parts from the industrialised countries especially U.S.A. and West Germany. India's share is negligible; in 1968 imports of machinery and components from India were only of the order of \$ 60,000.

It is difficult to estimate accurately the share of components and parts in total imports of machinery as they are not recorded separately in trade statistics. However, by a screening of the data available, it may be estimated that in 1968 the import of components and parts was of the order of \$ 300 million or one-third of the total imports of machinery. In the future, imports of parts and components may rise faster and India may have a share of half in the total, i.e., of the order of \$ 1000 million by 1974.

The prospects for India, however, will depend not so much on the overall increase in the Japanese imports as on the quality, price and marketing techniques of Indian suppliers. Considering India's production capacity and Japan's requirements, it may not be impossible to exceed a share of two per cent of Japan's imports by 1974. In absolute terms, however, this will mean an impressive figure of \$ 20 million. There are bright prospects for India for the export of small transformers, switchgear, railway wagon components, the less sophisticated types of machine tools, sewing machine parts, centrifugal pumps and parts, valves, ball and roller bearing, bicycle parts, the simpler ranges of textile machinery and parts, electronic components, computer and office machinery, components, cast iron parts for machinery and components for precision items like watches. The pattern of imports of machinery and equipment has changed as follows:

JAPANESE IMPORTS OF MACHINERY AND TRANSPORT
EQUIPMENT

(Value in Million \$)

	<u>1962</u>	<u>1967</u>	<u>1968</u>
Total	770	972	1052
of which power machinery & parts	71	83	81
Agricultural machinery & parts	7	27	28
<u>Metal Working Machines</u>	187	58	143
a) Machine tools for metal	160	51	133
b) Others	27	7	10
Sewing machines and parts	3	3	5
Centrifugal pumps and parts	27	42	48
Ball and roller bearings & parts	3	6	6
Switchgears & other electric machinery	9	25	43
Railway vehicles & parts	2	3	1
Bicycles & parts	-	0.4	1

The sources of supply are given in Table 14. It is feasible for India to achieve a share of one per cent by 1974 against the negligible share in 1968, provided she takes timely and appropriate measures. The basic problems are discussed below.

India has no experience of exporting machines and machine parts to Japan, as she has been exporting mainly raw materials. Though there are offices of the leading Japanese trading companies in India, the machinery users and manufacturers in Japan know very little of India's capacity in the field of machinery manufacture. In March 1969 a top level delegation led by the President of the Tokyo Shibaura Electric Company (Toshiba) visited India and this has greatly changed the image of India as a producer of industrial products. Even so, the image has not penetrated deep enough to cover all the manufacturers. Therefore, the first and foremost requirement will be to build the image of industrialised India in the minds of Japanese machine producers and distributors. To begin with, prospects for India will be in the field of selling components and spares and simpler machines of older types needed by the smaller Japanese companies. Therefore, while bigger units should not be ignored, the target should be the small Japanese units who should be approached by their counterparts in Indian industry. Sales and production engineers of small and medium sized

Indian units should visit Japan for convincing the buyers, conducting negotiations, and concluding business deals, as so far only the big industrialists from India have visited Japan for seeking collaboration in the setting up of units in India.

For the purpose of creating the proper image of industrialised India, it is very necessary that India participate in the 'trade fairs' for specialised products which are being regularly held in Japan from time to time. These fairs can be utilised not only for display but also for booking orders.

Indian manufacturers know very little about the Japanese market especially in the field of components and spares. Negotiations, including hard bargaining, will be required and for this purpose, it is necessary that one should know in detail the exact specifications and standards which are required in Japan. To this end, it may be desirable that either the Engineering Export Promotion Council of India have an office in Japan with a couple of engineers

knowing the intricacies about the machines, of the Embassy of India is strengthened to include a couple of market survey specialists on engineering items. These survey specialists should continuously be in touch with the trend and progress of Japanese industry, and transmit in quick time information giving all necessary details to manufacturing units in India.

In the field of components and spares there are two types of demand - one is for the manufacture of original equipment and the other is for repairs. In the case of manufacture of original equipment there are two types of units - (i) the big units producing on a large scale, who do not keep much stocks of components; in most cases they get the components on the assembly line from the sub-contractors who often are subsidiaries of the main unit itself. The others are medium and small scale producers who tend to hold a stock of components and parts required for a reasonable period. In the initial stages, India will have a chance only of selling to the smaller unit. The requirements of these units are more of simple items which are produced in

India in the medium and small scale sectors, which are unfortunately not well organised for marketing, and the quality of their products is also not uniform. Even though these units are small by Japanese standards, their needs are large enough by Indian standards. Therefore, it will be necessary to organise production and sales through institutional arrangements to be made for taking bulk orders, making arrangements for quality production and exports from India, and guaranteeing the quality and delivery to Japanese buyers. India has already lost a big inquiry for sewing machine parts because the large scale units in India were not prepared to supply the parts and the small units did not have the capacity to meet the volume of the demand.

In some fields, Japanese industry is hesitant to buy from India even when the prices and quality of Indian goods are competitive. Their apprehensions relate to whether the supply would be on time; they are not prepared to take any chances in this matter as it will hamper their production and

profitability. Therefore, for selling components in a big way it will be necessary at least in the beginning to arrange warehousing of the selected components in Japan, to the extent of 3 to 6 month's requirements. This can be done either at the initiative of the Indian exporters or the trading companies who will debit the cost to the Indian exporter.

In order to sell the components in a big way it will also be necessary for Japanese importers to be allowed to inspect the products at various stages of production right from the raw materials stage. Final inspection is not considered adequate. If we can collaborate with Japanese industrialists for manufacturing spares and components in India according to their specifications, their apprehensions regarding quality and delay in deliveries will be very much reduced and they will be willing to buy larger quantities.

In machinery items, it would be advantageous if Indian interests are properly represented through forceful agents. This however, is not an easy matter.

The leading trading companies may not be interested in representing India because they are already representing a large number of well-known companies from U.S.A., West Germany and other industrialised countries. Therefore, Indian industry may have to turn to the smaller trading companies. These agents may not be able to provide the same standard of service expected from the bigger companies, and therefore India may have certain disadvantages in the beginning. It may be overcome partly, if Indian industry has its own sales representation through the State Trading Corporation of India or through collaboration of leading Indian manufacturers and exporters of engineering products. As it will be very expensive for individual companies to have their own offices, it should be advantageous for them to pool their efforts at least in the initial stages.

On the import of certain electronic components, Japan has agreed to charge the import duty on the value added basis, provided the raw material has been imported from Japan. As has been mentioned in Chapter 3, the industry is thinking of requesting the

Government of Japan to expand the list of products under this system. This is basically being done to import components and spares from Taiwan and the Republic of Korea. As a member of GATT the same concessions are available to India. If India can agree to import raw materials for exporting the output to Japan it will greatly help to develop India's exports of electronic components.

If the above recommendations are accepted, the exports of various machines and components from India may rise as shown below:

IMPORTS FROM INDIA

		(Million £)
	<u>1968</u>	<u>1974</u>
Power machinery and parts other than electrical	-	2 Largely components for internal com- bustion engines.
Office machines and their components & machine	0.018	1
Machine tools	-	4
Textile machines	0.025	1
Sewing machine parts	-	1
Centrifugal pumps & parts	-	2
Ball & roller bearings and parts	-	0.5

(Contd...)

	<u>1968</u>	<u>1974</u>
Switchgears & other electric machinery	-	1.5
Railway vehicle parts	-	0.3
Electronic computers	-	2.0
		If we collaborate with Japan for their production.
Other machinery & components	0.017	4.7
Total	0.060	20.0

Time is a very important factor for achieving these targets. Already the Republic of Korea, Taiwan and Hong Kong have become big suppliers to Japan. Soon Thailand and Malaysia may be in the field. If India does not act swiftly, she may lose a big opportunity. If India can successfully develop exports of machinery and parts to Japan, it may open up other markets also, and the initial loss, if any, would be more than compensated by the longer term development of trade.

Leather

In Japan, footwear manufacture and leather goods manufacture are important industries. However, Japan has little local supply of hides and skins or leather.

Therefore, she largely depends upon imported hides and skins or leather. The position of the tanning industry is not considered sound by the Government of Japan and the Industry. Therefore the tanning industry is protected through quota restrictions and import duty. Even then import of leather has increased faster than that of hides and skins. During 1962-68, while the import of hides and skins rose by 17 per cent from ¥ 63.2 million to ¥ 74 million, that of leather rose by 152 per cent from ¥ 4.9 million to ¥ 12.3 million.

Whether this growth rate will be maintained in the future is doubtful. There is increased competition with synthetic leather developed in Japan. At present synthetic leather is costlier than natural leather and some of its properties are also not up to the standard of natural leather. However, with further technological developments and mass production, synthetic leather will become cheaper and would be preferred for common purposes because of economy in conversion cost. Still the sophisticated population prefer natural leather. In future, therefore, in the face of increased competition with synthetic leather, the demand for natural

leather may not rise as fast as in the past. It may be expected that during 1969-74 the import of natural leather may rise at the rate of 8 per cent per annum and may reach \$ 19 million by 1974.

India was an important supplier of leather to Japan but gradually her share has declined from 55 per cent in 1962 to 30 per cent in 1968. India's share has fallen because she is exporting only goat and sheep leather in which there is strong competition from Pakistan in price and quality. There is a considerable demand for calf and bovine cattle leather for which India had no export. There is also a considerable market for reconstituted leather in which also India had no share. Pakistan is India's chief competitor. Better quality leather is imported from EEC specially from West Germany. It may be possible for India to expand exports if she improves her tanning and increases supplies. However, the chances on both these points are not bright. Therefore, India cannot export to increase her share; her aim should be to maintain her share which would imply exports of \$ 6

million by 1974. Even to realise this, there will be need of great effort to improve quality.

Footwear

Japan is a big exporter of rubber and synthetic footwear. However, there are considerable imports of leather footwear specially from Italy. Imports have risen from \$ 0.3 million in 1962 to \$ 3 million in 1968. Most of the increase in imports is from Italy which is the leader in the world shoe exports. Australia, West Germany and Switzerland are suppliers for sophisticated modern fashion shoes. India's share in 1968 was negligible at \$ 4 thousand. There are considerable imports (\$ 135,000) from China whose quality is not superior to that of the shoes from India. In shoe export, besides the price and quality of material, designs are very important for which India is far behind her competitors. Unless we improve our designs and mechanise our shoe industry it may not be possible to have a break through in the Japanese market. However, as it is, there is scope for selling more, especially chappals and handicraft shoes. Export earning cannot, however, be expected to be more than \$ 50,000 by 1974.

Textiles

Though Japan is one of the biggest producers and exporters of textiles, she is also an importer of certain kinds of yarn and fabrics of cotton, silk and synthetic fibres. India can reasonably expect to export cotton yarn, coarse cotton cloth and silk fabrics to Japan. The prospects for these have been discussed below:

Cotton yarn

Japan has been producing cotton yarn both for home consumption and for export. Considerable quantities of coarse yarn of 20 counts and below was being produced for exports. In recent years, however, many developing countries have started producing yarn upto 40 counts and some of them have even started exporting. As a result Japan has lost foreign markets for the coarse counts. With the Japanese demand moving towards the more sophisticated fabrics, the domestic requirement of thick yarn has also fallen. Further, Japan is modernising her cotton spinning industry by using high speed spindles and automatic continuous operation systems.

These factors have made it uneconomical to produce thicker count yarns locally thereby leading to rising imports of cotton yarn which will be clear from the following data:

JAPAN'S IMPORTS OF COTTON YARN AND THREAD

Year	Grey		Bleached	
	Quantity	Value	Quantity	Value
	tons	'000 \$	tons	'000 \$
1964	33	30	58	358
1965	8	20	46	400
1966	26	26	37	356
1967	10,382	7,560	59	265
1968	14,727	10,700	22	400

It will be observed from the above data that up to 1966, imports of grey yarn and thread were negligible. During 1967-68, with the modernisation of the spinning industry, there has been a spurt in imports of yarn especially upto 20 counts for manufacture of towel and grey cloth. The rise in imports has been due to a rise in a grey price in Japan. Some of the experts whom the study team met, expressed the view that it was

not possible to import unless yarn could be exported from India in cones. The whole position is very fluid and it is difficult to assess exactly the future trends. There are attempts to use coarse synthetic yarn to replace cotton yarn. However, if yarn wound on cones can be exported at competitive prices, it should be possible to increase exports. Further, the history of world trade suggests that with the development of the economy, quite a few export items become import items, and Japan need be no exception. Therefore, it may be expected that the fall in imports in 1969 is temporary and by 1974 imports of grey yarn may reach 15,000 tons.

In the past India's share in Japan's imports of grey yarn has not been substantial because of uncompetitive prices and quality. In 1968 out of the total imports of 14,724 tons of grey cotton yarn, India had a share of only 37 tons. Pakistan was the main supplier (90% of the total). Taiwan was the only other important competitor. The Indian price for 400 pounds bale is £ 5 to £ 6 higher than the prices quoted by Pakistan. Japanese

importers also feel on testing, that the strength of Indian yarn is inferior to that of its competitors. In May 1969 the domestic price of cotton yarn was Yen 1545 to Yen 1789 or \$ 4.3 to \$ 4.9 per pound depending upon the quality of various mills. If India can offer yarn in cones at these prices and supply yarn of even thickness and comparable strength, she can expect to get a share of 20% in Japan's imports. This would imply an export earning of \$ 2 million per year by 1974.

Cotton cloth

Japan is a leading exporter of textile fabrics but at the same time she is importing substantial quantity of cotton cloth. During 1964-68 imports have risen from \$ 3.2 million to \$ 10.6 million.

There are imports both of grey cloth and other cloth. For India, in the immediate future, the prospects are only for export of grey cloth and this has been discussed below.

Imports of grey cloth have risen from \$ 1.02 million in 1964 to \$ 4 million in 1968. Imports in

1968 were 14.5 million square metres. It is expected that by 1974 imports will double to 30 million square metres. With the fall in the demand for greys and the modernisation of the Japanese textile industry, it is gradually becoming more economic to import grey cloth rather than produce it locally. The bulk of the imports (10.6 million square metres or 73 per cent of the total in 1968) is of grey shirtings. In future, there may be larger imports of grey poplin and other grey cloth also. The structure of imports in 1968 was as below:-

IMPORTS OF GREY CLOTH IN 1968

	<u>Quantity million square metres</u>	<u>% to total</u>
Shirtings	10.6	73.1
Poplin	0.3	2.1
Gauze	0.01	0.1
Others	3.6	24.7
Total	14.5	100.0

As may be observed from Table 9, there are no imports from India. The Republic of Korea, Taiwan, Pakistan are the chief suppliers. India has no share because of her uncompetitive quality and price. Mills in the Republic of Korea, Taiwan and Pakistan are new mills with better techniques of production than in India and the Japanese importers feel that the quality of their products is more uniform and better than that of India. Therefore, Japan prefers to buy from them. Moreover, they are thinking of exporting their cloth to third countries also. In the opinion of some of the importers, India has little chance in Japan unless the quality is brought to be at par with that of the cloth from Pakistan, the Republic of Korea and Taiwan.

The argument about quality appears to be an exaggeration and the more important fact is really the price. In 1968 the average c.i.f. price for grey shirtings was 53 or 15 US Cents per square metre. The Indian price was about 15 per cent higher than that quoted by her competitors. In 1968 some trading firms sent enquiries for grey shirtings from Bombay

and again found that Indian prices were 20 per cent higher than those quoted by competitors. Japan is looking for 50" wide grey cloth in 30 yard pieces at 4 £ f.o.b. per piece against the Indian offer of 90 US Cents. If India can offer competitive prices, she may aim to get a share of 7 per cent which would mean an export of the order of £ 2 million by 1974.

Silk fabrics

Silk is traditionally liked in Japan especially for 'Kimonos'. Their production of silk fabrics, however, has remained static, partly because of the shortage of raw silk and partly because it is considered economical to import. During 1961-68 the local production has fluctuated as shown below:-

PRODUCTION OF SILK FABRICS IN JAPAN

Monthly average production
(Million sq. yards)

1961	14.5
1962	15.1
1963	12.5
1964	13.4
1965	14.6
1966	14.6
1967	15.4
1968	15.8

Due to the somewhat static production and the rising demand, imports have risen substantially. India's exports too have risen, but even so, in 1968 India accounted for only 3 per cent of the total as will be seen from the following data:-

JAPAN'S IMPORT OF SILK FABRICS

('000 £)

	<u>Total imports</u>	<u>Imports from India</u>	<u>India's share %</u>
1962	443	-	0
1963	876	-	0
1964	1,047	-	0
1965	1,547	-	0
1966	4,235	178	4.4
1967	18,218	340	1.9
1968	25,947	788	3

It will be observed that imports have risen substantially especially during 1967-68. India's share is very small. The Republic of Korea is the biggest supplier with a share of 62 per cent in 1968, followed by China with a share of 24 per cent. The Japanese like Indian silk for its texture and price is also not a problem. The greatest difficulty is the shortage of supply in India which in turn is because of inadequate availability of raw silk. It may be worthwhile to import raw

silk from Republic of Korea which has a surplus, use it in producing fabrics, and export them to Japan. Besides increasing the supplies, it will also be necessary to produce fabric according to the designs preferred in Japan for 'Kimonos'.

The rate of growth in future imports is not likely to be as fast as in 1967-68. It is estimated that during 1968-74 imports will rise at the rate of 10 per cent per annum. On this basis, the total imports by 1974 may be estimated at \$ 46 million. India may aim to have a share of 10 per cent, equivalent to \$ 5 million per year by 1974.

Jute Textiles

Japan is traditionally a small market for jute bags and jute hessian fabric. Products meant for local consumption are rarely packed in jute bags; it is only items for exports like fertiliser that are packed in bags when so demanded by the buyer. There is also little demand of hessian for use as lining cloth and very little requirement of broad loom jute cloth for carpet backing. Thus, the overall market

is small which will be clear from the following data:

Year	Jute Fabric			Jute Bags		
	' Imports from			' Imports from		
	Total	India	Pakistan	Total	India	Pakistan
1964	559	559	-	2,541	342	-
1965	58	57	-	443	-	-
1966	2	-	-	507	-	-
1967	2,525	1,236	962	978	-	-
1968	16,099	9,222	6,586	545	-	-

In 1967-68 there was a sudden spurt in demand for jute fabric for packing urea in which India also got a substantial share. In future, the demand is not expected to rise further. The chief competitor for India is Pakistan which quotes 3 to per cent cheaper price after checking on Indian prices. In order to hold the market, India has to be competitive with Pakistan. At present Japan buys from India because Pakistan is not able to offer short delivery and needs 4-6 months while India supplies the goods in 2/3 weeks.

The jute bags demand is small and most of them are imported from Thailand; hence the scope is small

Iron and Steel

Japan is one of the largest producers and exporters of iron and steel. Though she is competing in most of the world markets, she also imports certain varieties of iron and steel. In 1968 imports were of the order of \$ 246 million of which 92 per cent was pig iron:-

JAPAN'S IMPORT OF IRON AND STEEL

	Quantity (000 MT)			Value (Million \$)		
	1966	1967	1968	1966	1967	1968
Total	2,913	7,420	5,680	134	369	246
a) Pig iron, sponge iron etc.	2,881	6,557	4,566	124	326	226
b) Ingots & other primary forms	4	303	96	1	27	8
c) Iron & steel bars, rods, angles, shapes etc.	5	6	5	2	8	3
d) Universal plates and sheets	7	2	1	1	1	1
e) Hoops and strips	4	3	3	1	2	2
f) Rails	2	5	5	0.1	0.3	0.3
g) Wire	2	2	1	1.5	2	1
h) Tubes, pipes & fittings	4	4	3	3	4	5
i) Iron & steel castings, forgings unworked	Neg.	8	Neg.	Neg.	0.2	Neg.

Pig Iron

It is only in pig iron the India has some prospects for export to Japan. Her demand for pig iron is increasing faster than the local industry has been able to supply. Therefore, imports have risen as shown below:

IMPORTS OF PIG IRON

(Quantity in '000 MT)

	<u>Total imports</u>	<u>Imports from India</u>	<u>India's share %</u>
1962	1,447	7	.5
1963	1,549	11	.8
1964	3,359	-	-
1965	2,624	-	-
1966	2,860	51	2.1
1967	6,450	606	9.4
1968	4,436	740	16.7

Japan has plans to expand the production of pig iron with a view to reducing the gap between demand and supply. This will gradually reduce imports and if her plans of production proceed as programmed, by 1975 there will be no imports of pig iron. However, certain circles of trade and industry feel that the demand estimates are on the low side and hence there will be

regular imports of pig iron. This, however, looks unlikely because local pig iron is cheaper than the imported one. The position will be clear from the following data:

PIG IRON - DEMAND/SUPPLY IN JAPAN

	(Quantity million tonnes)		
	<u>1960</u>	<u>1970</u>	<u>1975</u>
1. Pig iron demand	37.4	48.5	60.0
2. Supply from local production	33.8	48.0	60.0
a) Blast furnace pig iron	33.4	47.6	59.6
b) Electric furnace pig iron	0.4	0.4	0.4
3. Gap to be met through imports (1-2)	4.0	0.5	0.4

Source: Oriental Economist, April, 1967, p.226.

In view of an expected fall in Japanese imports of pig iron there is no long term prospect for India exporting this item. However, in the short run and whenever Japanese production lags behind demand, India has a reasonable chance. It may be expected to export pig iron worth \$ 5 million per year by 1974.

Diamonds, jewellery, precious and semi-precious stones

With the rise in income, the demand for diamonds, jewellery and precious and semi-precious stones has

risen fast as will be clear from the following data:-

JAPANESE IMPORT

	(Value million \$)		
	<u>1962</u>	<u>1967</u>	<u>1968</u>
<u>Pearls unset, unstung</u>	1.4	2.2	4.0
India	-	-	0.005
Australia	0.6	2.0	1.6
<u>Diamonds</u>	6.7	42.8	53.9
India	-	0.03	0.31
Belgium	1.7	10.4	15.0
Israel	1.5	11.0	13.8
S. Africa	0.8	4.9	4.7
Hong Kong	0.5	4.3	2.9
<u>Precious, semi-precious stones</u>	6.3	24.9	24.2
India	0.2	1.1	2.3
Hong Kong	1.5	9.9	5.9
Mexico	0.4	0.3	3.4
Australia	2.5	2.7	2.6
<u>Synthetic, precious, semi-precious stones</u>	0.2	1.5	1.1
India	-	-	-
Switzerland	0.1	1.0	0.9
<u>Jewellery & goldsmith's & silversmith's ware</u>	1.3	2.7	3.9
India	-	0.01	0.4
U.S.A.	0.6	0.8	0.3
Hong Kong	0.1	0.3	0.03

In future the demand will continue to grow and imports are expected to double \$ 175 million. The bulk of the demand has been for diamonds and precious

and semi-precious stones; in future also, this structure is expected to continue. Indian cut and finish in diamonds and stones is liked by consumers. Indian gold and silver jewellery is also very much liked by Japanese but it is just not available in the market. Price is not a problem, as Japanese trading companies feel that the Indian price is very reasonable.

Even so India's share is low at a level of 3 per cent, because of the shortage of rough diamonds and stones and lack of marketing arrangements for jewellery. If India can find ways and means to increase her own supplies of rough diamonds and stones and make proper marketing arrangements with department stores through trading companies, it should not be difficult to get a share of 10 per cent in Japan's imports by 1974, implying exports of the order of 3 18 million.

Perfumes, essential oils, etc.

Japanese imports of essential oils and perfumes, etc., have increased from US \$ 4.5 million in 1962 to US \$ 28 million by 1968. During the same period, however, imports from India have declined from US \$ 841 thousand to US \$ 312 thousand. The demand for sandal wood oil

and lemon grass oil, which comprised the import from India is falling because of competition from synthetic perfumes. As the prospect is not bright, it will be difficult to maintain exports and they may fall to \$ 200 thousand by 1974.

Aluminium

In Japan, the demand for aluminium is rising very fast. Due to shortage of raw materials, the gap between demand and supply has been rising. Therefore, imports have risen from 18,000 tons in 1962 to 172,000 tons by 1968. Most of the imports are from Canada (84,000 tons), U.S.A. (20,000 tons) and USSR (24,000 tons). In 1968 there was an import of 2,500 tons from India also. Prospects are very bright if we can quote competitive prices. An important factor is that Japan prefers to import alumina and if we can arrive at an arrangement to produce alumina with Japanese collaboration large quantities can be exported to Japan.

Summing up

On the basis of the discussion above and assessment of other products, India's exports to Japan may double

by 1974 to \$ 415 million (Table 15).

Though Japan has been exporting a wide range of industrial and other products, India could particularly consider the import of industrial machinery, fertilisers (especially urea), industrial chemicals, electrical parts and final products and light engineering goods.

Chapter 7

JOINT VENTURE AND SERVICE CONTRACTS

Japan is industrially and technologically far more advanced than India. She is seeking collaboration largely from U.S.A., and West Germany for setting up joint ventures in Japan, leaving no scope for India in this field. However, there are very bright prospects for establishing industries in India with Japanese collaboration for exporting their output to Japan and third countries and/or for import substitution. There is also considerable scope of collaboration between India and Japan in establishing industries in third countries and developing exports of Indian goods to third countries with the collaboration of Japanese trading companies.

Problems which are likely to come in the way of joint ventures are discussed below :-

a) Joint Ventures in India :

From the discussions held with Japanese industry and trade it appears that they are specially interested

in joint ventures for mining iron ore, forging and casting, injection - moulding machinery for plastics, compressors, hydraulic machinery, ceramics like spark plugs for automobiles, harbour construction (mainly facilities for iron ore carriers of 60-100 thousand DWT), offshore oil exploration, making of finer fibres from jute for cloth, agricultural equipment and products and petro-chemical industries. Japan generally prefers to collaborate in those lines which can directly or indirectly help exports to Japan. If these items are produced economically they can be exported to other countries also.

At present, it appears that industry in Japan is not keen on joining hands with Indian industry in the field of manufacture of electronic components in India for export to meet the requirements of the industry in Japan, since she has already developed component manufacture industry in Hong Kong, the Republic of Korea and Taiwan which have a locational advantage over India. However, if India plans to develop the electronic industry in a big way for export to third countries besides domestic consumption, it should be feasible to have Japanese collaboration to India's advantage.

In the field of automobile components also Japan is not keen on collaborating with India for the sake of components required to feed Japanese industry. However, in this field also there can be prospects provided the collaboration with Japanese industry is intended for developing export to third countries. In other import substitution industries Japan has collaborated with India in the past and may be willing to do so in future also. Japanese enterprises however, visualised certain problems in collaborating with India especially in the matter of investment.

The Japanese investor seeks the following favourable conditions for foreign investment which in the words of 'Look Japan' may be summed up as follows : ^{1/}

1. The enterprise interested in foreign investment should have a good partner in business in the other country. It is desirable that there is an institute which can recommend an influential party, which can negotiate with the Government, banking institutes etc. in the other country.

^{1/} Look Japan - Nov. 10, 1968, p. 13.

2. It is imperative to obtain quick permission for joint ventures.
3. The currency of the other country should be stabilised.
4. The external trade policy of the other country should be consistent from the angle of supply of machines and raw materials; changes in the import policy at short periods would considerably hamper proper development of the venture set up by the Japanese investor.
5. Cheap, good quality labour should be available in abundance. Low-wage but low productivity labour is not attractive even if available in abundance.
6. Remittances of profit, dividend etc. should be permitted.
7. There should be a guarantee for permission for the withdrawal of capital.
8. There should be no discrimination towards foreign ventures in domestic business.

It appears that Japanese industrialists do not rate India high in some of these regards. They

feel that it takes too long to get Government of India clearances, that India's external trade policies are uncertain and that the labour situation is not conducive for investment. Further, they want to have a share in management and sometimes find it difficult to get on with Indian firms. They also prefer to have majority participation to avoid management problems. In addition they are not happy about the taxation policies of India. In Japan before arriving at the taxable income, more liberal allowances are granted for depreciation, price fluctuation, overseas market development etc. Moreover, the corporate tax rate is 28 per cent (for annual income if not more than yen 3 million or \$ 80,000,) and 35% (for annual income more than yen 3 million) if profits are not distributed. The rate of tax is 30 per cent, if profits are distributed. These rates are lower than 50 per cent of these in India. As there is no double taxation avoidance agreement with Japan, the Japanese industrialists and traders argue that the difference between the two taxes is an additional burden on the investing companies of Japan. In order to attract more Japanese capital to India there should be a double taxation avoidance agreement.

While the above mentioned are negative points, there is also a positive side. Due to the size of the Indian market, the Japanese do not want to ignore India and would like to invest more if some of the problems they have in mind can be satisfactorily solved. At present they prefer to invest in the Republic of Korea, Taiwan, Hong Kong, Thailand and Malaysia in preference to India because they consider the regulations in these countries more liberal than in India for foreign participation.

If India can reduce the delays in decision making, make trade policies on a longer-term basis and charge income tax earnings on Japanese companies at rates comparable to what prevail in Japan, it is felt that it will help a greater inflow of Japanese investment in India. They also expect that India should be more liberal in allowing them a reasonable voice in management, especially in those cases where output is largely meant for exports. If the Japanese give an undertaking to export more than half of the output, India would be well advised in giving them certain concessions on the lines they desire so that joint

ventures could be set up in India for boosting her exports.

(b) Joint Ventures in Third Countries

India and Japan can collaborate to the advantage of both the countries for establishing joint industrial units in the developing countries of Asia and Africa. Developing countries are giving emphasis to investing in infra-structure, textile and light engineering industries. While India has developed a considerable production capacity for machines and equipment in these fields, in some of the components and equipment, we have not reached the sophistication reached in Japan. The two countries can therefore join in setting up units meant to supply the complete plant and equipment required in third countries. India may supply iron and steel structurals, simpler machines, tubes and pipes, and may do the construction work and Japan may provide designs, sophisticated machines and the necessary supervision.

The developing nations need long term credit. Japan is in a better position than India to offer

credit; all the same, the Japanese industry would prefer that the participating Indian company provide credit to the buying country, if not for the same period as Japan atleast for half the period, thereby ensuring that the Indian company would have a stake in the success of the joint effort.

Already there have been collaboration between India and Japan for establishing industries in third countries e.g. one in UAR and one in Ceylon. However, possibilities of further collaboration are bright especially in those countries which are located nearer India than to Japan. To begin with, possibilities are more for those Indian companies who already have collaboration with Japan. Others also can have good prospects if they develop contacts with the Japanese manufacturers and trading companies who take a leading part in these negotiations. India has to improve her image in the minds of the Japanese. If this is done, much more Indian machinery can be sold to third countries than otherwise possible. The cooperation is possible not only for joint ventures but also for service contracts.

c) Participation of Japanese Trading Companies for Exporting Indian Goods to Third Countries

The Japanese trading companies with their vast net work of offices all over the world are perhaps the best equipped for selling goods. As has been stated in Chapter 2, they not only import and export to Japan but also do the business of exporting from one country to another country when they find it profitable. Some of the Japanese trading companies have been successfully exporting some non-traditional Indian goods to other Asian countries. The possibilities of taking their help are bright especially for simple machines, non-traditional consumer items etc. Indian exporters may benefit by appointing these trading companies as their sole-selling agents on a commission basis in particular countries for a minimum specific period. It may not always be worthwhile to appoint direct agents. The additional commission paid to the trading companies could be a gain rather than a loss in the long run. They may be asked to give a guarantee for a minimum sale. As the trading companies cross check market conditions they may be in a better position to push up our sales.

In order to get the trading companies more interested in such deals, it would be necessary to explore how the commission payable to them could be treated as having been paid outside India, not to be subject to Indian taxes. India would have had to treat the commission in this manner when it would have been paid to the agents in the importing country. Further, the Indian exporter should get the same subsidies and other export assistance as he would be entitled to when exporting directly or through an Indian export house. It is not possible to arrive at any firm estimate of the amount of business which can be developed through this method, but it can be said that it will have a multiplier effect, and the growth in business will be in a geometric progression, especially if the services of the trading companies are used for additional trade and not by substituting for existing arrangements. In this context, the most promising items will be industrial machinery and components to all markets, as also traditional items to non-traditional markets.

Chapter 8

OPPORTUNITIES AND SPECIAL PROBLEMS IN EXPANDING INDIAN EXPORTS

As would be clear from the discussions in the preceding chapters, Japan is a big and fast expanding market not only for crude materials but also for machinery, components, spares, semi-manufacturers and consumer items. In future, import of components, spares and consumer items may rise faster than in the past because the per capita income is expected to rise four-fold by 1985. However, so far India has treated Japan only as a market for crude materials; often it is thought that Japan is a low cost producer and hence it will not be possible for India to sell manufactured and semi-manufactured items. Because of this feeling, in the past very little effort has been made to sell manufactured industrial or consumer goods for Japan. The Japanese are also not properly informed about India's capacity in the industrial field and have certain apprehensions about buying from India, especially regarding quality and timely supply. This is because no serious effort has been made by Indians

to sell Industrial products. Big industrial houses have been going to Japan basically to find a partner for joint ventures; small manufacturers have been assuming that Japan is not a market for them. These notions are, however, absolutely unfounded. If serious efforts are made in the right directions, the results will be much more rewarding than what would be possible in all south east Asian markets put together. Therefore, both the Government of India and Indian traders should make serious efforts to develop the trade with Japan in manufactures and semi-manufactures.

As India will have to make efforts for penetration from scratch, the first and the foremost need is for initiative and market know-how. It will be idle for Indian exporters to think that because the Japanese trading firms have offices in India they will take the initiative. This is not to say that there are no instances where the Japanese trading firms have taken the initiative but they feel that as they have built their markets the hard way, India would also have to do the same. For this purpose, it is necessary that manufacturers' production staff and sales operatives

should visit Japan with samples and details for discussion and should be in a position to make changes in their product according to requirements. In Japan negotiations are prolonged and hard and it would be advisable to send persons knowing the Japanese language or who are trained in the effective use of interpreters and who should be prepared to stay for a long enough period.

Japanese market conditions are ever changing with regard to the type of product required, designs, specifications etc. Sometimes a sudden demand develops for a product or suddenly imports drop to a negligible figure. In order to have a continuous knowledge of the market there is a need for frequent visits by trade people. At the same time the Indian Embassy should also be strengthened to collect regular information and pass it on quickly and directly to the right persons in India. For some of the products, especially engineering products, it may be difficult for the Embassy to understand the intricacies unless some engineering surveyors are employed. Therefore, it may be better if the Engineering Export Promotion

Council open an office for collection of market intelligence and information. In the case of consumer and other products, the Embassy should be enabled to do better market intelligence work and develop closer contacts with the Japanese manufacturers and trading companies.

As has been discussed earlier, it is vital that India's image as an industrialised country is built up. In addition to what has already been said in Chapter 6, India should consider the opening of a trade centre in Japan where Indian products should be displayed; the items on display could be changed every 3 months to give coverage to a larger number. The person in charge should be in a position to reply to all the queries and detailed catalogues giving full particulars should be made freely available. Besides, press publicity, participation in trade fairs, details of production facilities, and supplies made to other countries, catalogues with attractive photographs and details should be regularly sent to trading companies and manufacturers preferably in the Japanese language.

The selling has to be done basically through local agents i.e., trading companies of Japan. However,

in the case of certain consumer items, semi-finished products and machine tools, it may be worthwhile if the State Trading Corporation also has an office. The STC may do selling and market intelligence work. For some of the spares, components etc. it will be necessary to keep ready stock which may also be done by the STC as and when local firms are not willing to do so.

Japan is a market for quantity and speed. Either a product is not needed or if needed is demanded in large quantity. In a number of items like silk fabrics, handicrafts, diamonds and jewellery, components and spares the basic problem is of the supply constraint in India. We should be able to supply large quantities as and when required to fill the gap. For this purpose, manufacturing units should be supplied adequate inputs speedily, whether domestic or imported. Further, manufacturing units should give preference to export orders and should be willing to execute bigger orders than those they have been committed to, by working overtime or by subcontracting.

The delivery schedule is very important especially for industrial inputs, and commitments

should not be entered into if there are any doubts about fulfilling them. The Japanese already have apprehensions about India's capability of adhering to a delivery schedule and if Indian units fail in any sizable item it will make it difficult in future to sell not only that product but also others.

If Government becomes more liberal in allowing imports of inputs for industries from Japan and allows greater facilities for collaboration it will go a long way in developing exports.

For India, Japan will remain largely a market for bulk items like iron ore. In bulk items which are being exported or which can be exported in future, the freight rate is an important factor. India has a freight disadvantage over other suppliers largely because of inadequate port facilities. Therefore, utmost attention should be paid to improve the port facilities for berthing ships of 100,000 DWT.

Exports of some of the products like fish, fruit and vegetables, will depend largely upon development of adequate and hygienic processing capacity. Japan is willing to collaborate in these

fields, and this prospect should be fully exploited, especially when they agree to buy the output of these units.

India can considerably develop exports of non-traditional primary as well as manufactured products to Japan by entering into link deals against import of Japanese products into India. As India is importing machinery, fertiliser, etc., and in any case, Japanese prices are favourable and the quality is acceptable, we may consider linking exports of items like maize, cotton yarn, grey cloth, machinery components, spares with imports of machinery and fertiliser needed by India.

TABLES & APPENDICES

Table 1

PRODUCTION & IMPORTS OF MAJOR
AGRICULTURAL PRODUCTS

	'Area '000 ' hectares	'Production' ' '000 tons	Yield hectare/ ton	'Imports ' '000 tons
<u>R I C E</u>				
1955	3222	12,385	3.8	1,255
1960	3308	12,858	3.9	150
1965	3255	12,409	3.8	957
1967	3263	18,770	6.1	509
1968	3280	18,860	5.8	
<u>W H E A T</u>				
1955	663	1,468	2.2	2,238
1960	602	1,531	2.5	2,660
1965	480	1,287	2.7	3,532
1967	367	997	2.7	4,130
1968	313	1,011	3.2	4,073
<u>B A R L E Y</u>				
1955	434	1,148	2.7	681
1960	402	1,206	3.0	30
1965	245	721	2.9	512
1967	207	1,173	5.6	-
<u>S O Y A B E A N</u>				
1955	385	507	1.3	808
1960	307	418	1.4	1,128
1965	184	230	1.2	1,847
1967	141	190	1.3	2,170
1968	N.A.	N.A.	N.A.	2,421

(contd.....)

Table 1 (contd.....)

	Area '000 hectares	Production '000 tons	Field hectares/ ton	Imports '000 tons
<u>C O T T O N</u>				
1955	4	1	0.25	494
1960	1	0.3	0.3	753
1965	Nil	0.1	Nil	749
1967	Nil	Nil	Nil	808
1968	Nil	Nil	Nil	856
<u>T O B A C C O</u>				
1955	75	150	2.0	11
1960	59	121	2.1	10
1965	86	193	2.2	36
1966	87	198	2.2	-
1967	86	209	2.4	27

- Sources:
- 1) Bureau of Statistics - Statistical Handbook of Japan, 1967.
 - 2) Bureau of Statistics - Japan Statistical Year Books.
 - 3) FAO - Production Year Book.
 - 4) FAO - Trade Year Book.
 - 5) Ministry of Finance - Quarterly Bulletin of Financial Statistics.

Table 2

TARIFF STRUCTURE IN JAPAN

Rate of Tariff : %

Item	General	APPLICABLE TO GATT		
		Rates from Jan. '1, 1969 to Dec. '31, 1969	Rates from Jan. '1, 1970 to Dec. '31, 1970	Concess- ional Rates 'to become 'effective from Jan. '1, 1972
1. Live Animals & Birds	0	0	0	0
2. Meat	0-25	0-18	0-17	0-29
3. Fish	0-15	5-12	5-10.5	5-7½
4. Residue of Ani- mals (hairs, bones, horns etc.)	0-20	0-8	0-7	0
5. Vegetables fresh or chilled.	10-15	10	10	5
6. Fruits	0-40	0-18	0-17	0-15
7. Coffee Beans	0-35	0-29	0-26	0
8. Tea	0-35	3	2	0
9. Tea Waste	0-35	3-29	2-26	0
10. Spices	0-25	0-19	0-14	0-10
11. Oil seeds	0-40	0-24 (specific on some)	0-21	0-5
12. Raw Vegetable Materials	0-30	0-27.5 (specific on some)	0-27.5	0-20
13. Vegetable Oils	0-35	0-16	0-15	0-8

(contd.....)

Table 2 (Contd.....)

Item	General	APPLICABLE TO GATT		
		Rates from Jan. 1, 1969 to Dec. 31, 1969	Rates from Jan. 1, 1970 to Dec. 31, 1970	Concession al Rates to become effective from Jan. 1, 1971
14. Preserved vegetables & preparations	25-45	17-30	17-32	15-25
15. Natural Graphite	0-15	0-13.8	0-13.2	0-12.5
16. Ore except Molybdenum	0	0	0	0
17. Molybdenum	15	12	10.5	7.5
18. Petroleum & its Products	0-30	0-18	0-14	0-15
19. Acids, Gases etc., other chemicals	0-25	0-23	0-22	0-20
20. Vitamins, Antibiotics & Organic Compounds.	0-30	0-20	0-20	7.5-10
21. Medicaments to other Pharmaceuticals	0-25	0-21	0-19	7.5-15
22. Natural Fertilizers.	0-15	0-13	0-12	0
23. Other Fertilizers	0			0-10
24. Dyes	0-20	0-16	0-14	12.5
25. Other Colours, Dyes etc.	0-25	0-20	0-17.5	0-12.5
26. Resins	0-25	0-20	0-17.5	11-25
27. Varnishes	10-25	6.4-20	5.6-17.5	4-10
28. Essential oils	0-20	0-16	0-15	0-10
29. Perfumery, Cosmetics & Toilet Preparations.	15-50	12-40	10.5-35	7.5-25
30. Glues & Gelatin	10-25	8.23	7-22	5-20

(contd.....)

Table 2 (contd....)

Item	General	APPLICATION TO GATT		
		Rates from Jan 1, 1969 to Dec. 31, 1969	Rates from Jan 1, 1970 to Dec. 31, 1970	Concess- ional Rates to become effective from Jan. 1, 1972.
31. Photographic Films, papers etc.	20-30	12-30	10.5-30	7.5-15
32. Cinematographic Films	40	-	-	-
33. Resin	5-20	0-16	0-14	5
34. Disinfectants, Insecticides, etc.	20	16	14	10
35. Condensation, Poly- condensation & poly- addition products	10-30	8-24	7-21	7.5-17.5
36. Rubber	0-15	0-12	0-10.5	7.5
37. Reclaimed Rubber	10	8	7	5
38. Rubber Tyres & Tubes	15-30	12-24	10.5-21	12.5-15
39. Hides & Skins	0	0	0	0
40. Leather	7.5-25	8-25	7-20	5-12.5
41. Leather Goods	15-40	12-32	10.5-28	7.5-22.5
42. Furs	10-40	8-32	7-28	5-20
43. Wood & Wood Products	0-40	0-24	0-21	0-15
44. Paper & Paper Board	0-20	0-24	0-23.5	2.5-22.5
45. Printed Material	0-15	0-12	0-10.5	0-7.5
46. Raw Silk, Silk & Yarn	0-15	0-12	0-10.5	7.5
47. Silk Fabrics	20-25	16-20	14-17.5	10-12.5
48. Yarn of Man-made Fibres	15-25	12-25	10.5-25	7.5-12.5

(contd.....)

Table 2 (contd.....)

Item	General	APPLICABLE TO GATT		
		Rates from Jan. '1, 1969 to Dec. '31, 1969	Rates from Jan. '1, 1970 to Dec. '31, 1970	Concession- al Rates 'to become 'effective 'from Jan. 1, 1972
49. Wool Yarn	10-15	8-12	7-10.5	5-7.5
50. Cotton	0 *	0	0	0
51. Cotton Yarn	7.5-15	6.7-13.2	6.3-12.3	5.5-10.5 *
52. Cotton Gauze	10-20	8.8-17.6	8.2-16.4	14
53. Terry Fabrics	10-20	8.8-17.6	8.2-16.4	7-14
54. Woven Fabrics of Cotton	15-25	13.2-22	12.3-20.5	10.5-12.5
55. Man-made Fibres	0-25	0-25	0-25	7.5-12.5
56. Raw	0	0	0	0
57. Jute Yarn	20	16	14	10
58. Jute Fabrics	25	23	22	20
59. Carpets	15-30	24-26.4	21-24.6	15
60. Lace or other Fabrics	10-35	24-30.8	21-28.7	15-28
61. Linoleum	20	16	14	10
62. Knitted Fabrics	15-30	12-30.8	10.5-23.7	7.5-24.5
63. Garments	15-40	13.2-35.2	12.3-32.8	10-28
64. Footwear	15-30	12-27	10.5-27	7.5-10
65. Glass Products	10-25	8-20	7-20.8	5-18
66. Precious & semi- precious stones & othr products	0-40	0-40	0-35	25
* Specific on some.				(contd....)

Table 2 (contd.....)

Item	General	APPLICABLE TO GATT		
		Rates from Jan. '1, 1969 to Dec. '31, 1969	Rates from Jan. '1, 1970 to Dec. '31, 1970	Concess- ional Rates 'to become effective 'from Jan. '1, 1972
67. Pig Iron	10	8	7	5
68. Ferro Alloys	10	8-13.8	7-13.2	5-12
69. Iron & steel & most of the products	5-30	8-23	7-23	6.25-7.5
70. Non-ferrous metal products	0-40	0-40	0-31.5	5-25
71. Hand tools	15-40	12-32	10.5-28	7.5-20
72. Metal fittings	20-40	16-40	14-35	10-25
73. Steam Engines, Generators & Boilers	15-20	12-18	10.5-17	7.5-15
74. Diesel Engines	15-30	12-30	10.5-30	7.5-15
75. Machinery	5-20	8-14	7-13.5	6-15
76. Machine Tools	15-25	8-21	7-19	7.5-15
77. Electric generators, transformers & other machinery	20	12-18	10.5-17	7.5-15
78. Electric motors	15-20	12-16	10.5-14	7.5-10
79. Radios	20-35	14.4-28	12.6-24.5	17.5
80. Televisions	30	16-24	14-21	10-15
81. Railway locomotive, coaches & wagons	15	12	10.5	7.5
82. Tractors	15-30	13-24	12-21	15

(contd.....)

Table 2 (contd...)

Item	General	APPLICABLE TO GATT		
		Rates from Jan. 1, 1969 to Dec. 31, 1969	Rates from Jan. 1, 1970 to Dec. 31, 1970	Concessional rates to become effective from Jan. 1, 1972
83. Motor Vehicles & Parts	17.5-40	12-36	10.5-34	7.5-20
84. Ships	0-15	12	10.5	7.5
85. Optical Products	15-40	12-32	10.5-28	7.5-20
86. Cameras	15-30	12-24	10.5-21	7.5-15
87. Surgical & Medical Instruments	20	12-16	10.5-14	7.5-10
88. Watches & Clocks	5-40	4-32	3.5-28	10-20
		(Plus specific on some)		
89. Musical Instruments	15-30	12-24	10.5-21	7.5-10
		(Specific on many)		
90. Articles of Ivory	20-40	16-32	14-28	5-20
91. Toys	20	16-24	14-21	10-15
92. Brooms & Brushes	5-40	8-32	7-28	5-20

Source: 1) Customs Tariff Schedules of Japan (1969)
 2) GATT - Tariff - Japan Tariff Association
 Scheduled under Kennedy
 Round,

Table 3JAPAN'S BALANCE OF PAYMENT

(Million \$)					
	1961	1965	1966	1967	1968 (Pro- visional)
1. <u>Trade Balance</u>	-558	1901	2273	1158	2531
a) Exports	4149	8333	9639	10228	12754
b) Imports	4707	6432	7366	9070	10223
2. <u>Services</u>	-383	-884	-886	-1172	770-1306
a) Receipts	1017	1564	1930	2182	2600
b) Payments	1400	2448	2816	3354	3906
3. <u>Transfers</u>	-42	-86	-135	-178	-113-177
a) Receipts	71	63	69	73	81
b) Payments	113	149	204	251	258
4. <u>Overall Balance on current Account</u>	-982	931	1251	-192	1048
5. <u>Long-term Capital</u>	-10	-414	-809	-812	245
a) Assets	312	447	706	874	1103
b) Liabilities	302	33	-103	62	858
6. <u>Basic Balance</u> 4+5	-992	517	442	-1004	803
7. <u>Short Term Capital</u>	21	-62	-64	507	202
8. <u>Errors & Omissions</u>	19	-51	-44	-74	94
9. <u>Overall Balance</u>	-952	404	335	-571	1102

(contd.....)

Table 3 (contd....)

	1961	1965	1966	1967	1968 (Pro- visic nal)
10. <u>Monetary Movements</u>	-952	404	335	571	1102
a) <u>+</u> of Reserves	..338	108	-33	-69	886
b) Others	-614	296	368	-502	216
11. <u>Gold & Foreign Exchange Reserve</u>	1486	2107	2074	2005	2891

Source: Japanese Government-Economic Planning Agency -
Economic Statistics.

Table 4JAPAN TRADE WITH PRINCIPAL COUNTRIES/REGIONS

(Value million US \$)

	1960	1965	1966	1967	1968
<u>Asia</u>					
A) Import	1367	2731	3165	3582	4004
B) Exports	1458	2747	3288	3555	4415
C) Balance of Trade Which (B-A)	91	16	123	-27	411
<u>INDIA</u>					
A	126	184	206	259	293
B	111	204	167	138	139
C	-15	20	-39	-121	154
<u>REPUBLIC OF KOREA</u>					
A	19	41	72	92	102
B	100	180	335	407	603
C	81	139	263	315	501
<u>CHINA</u>					
A	20	225	306	269	224
B	3	245	315	288	325
C	-17	20	9	19	101
<u>HONG KONG</u>					
A	23	35	47	53	54
B	156	288	370	349	468
C	133	253	323	296	414

(contd.....)

Table 4 (contd.....)

	'1960	'1965	'1966	'1967	'1968
<u>THAILAND</u>					
A	72	131	153	160	147
B	118	219	301	341	365
C	46	88	148	181	218
<u>SINGAPORE</u>					
A	16	33	30	36	62
B	87	124	143	160	209
C	71	91	113	124	147
<u>PHILIPPINES</u>					
A	159	254	325	374	397
B	154	240	278	363	411
C	- 4	-14	53	-11	14
<u>INDONESIA</u>					
A	70	149	176	195	253
B	110	205	119	155	147
C	40	56	-57	-40	105
<u>EUROPE</u>					
A	489	1002	1216	1766	1878
B	538	1298	1575	1663	1897
C	49	296	359	-103	-19
<u>E.E.C.</u>					
A	209	392	447	656	737
B	174	485	595	546	687
C	-35	93	148	-109	-50

(contd.....)

Table 4 (contd....)

	1960	1965	1966	1967	1968
<u>EFTA</u>					
A	158	302	368	465	493
B	228	460	537	738	760
C	70	158	159	263	267
<u>U.S.A.</u>					
A	1554	2356	2658	3212	3527
B	1102	2479	2969	3012	4087
C	-452	113	311	-200	560
<u>CANADA</u>					
A	204	357	451	633	660
B	119	214	256	274	346
C	-85	-143	-195	-357	-314
<u>SOUTH AMERICA</u>					
A	145	391	446	529	610
B	180	248	279	280	343
C	35	-143	-167	-249	-267
<u>AFRICA</u>					
A	164	353	420	661	850
B	352	818	729	850	940
C	188	465	309	189	90
<u>OCENIA</u>					
A	404	652	832	951	1115
B	182	404	399	472	542
C	-222	-248	-433	-479	-573

Source: Japanese Government, Economic Planning Agency -
Economic Statistics.

Table 5

PRINCIPAL TRADE PARTNERS IN DESCENDING
ORDER OF EXPORTS IN 1968

(Value \$ Million)

Country	Exports				Imports			
	'1965	'1966	'1967	'1968	'1965	'1966	'1967	'1968
1. U.S.A.	2479	2969	3012	4086	2366	2657	3212	3528
2. Rep.of Korea	180	335	407	603	41	72	92	102
3. Formosa	218	255	328	472	157	147	137	151
4. Hong Kong	288	370	349	468	35	47	53	54
5. Liberia	371	323	393	439	17	17	12	17
6. Australia	313	298	359	416	552	680	792	921
7. Philippines	240	278	363	411	254	325	374	398
8. Thailand	219	301	341	365	131	153	161	147
9. U.K.	205	225	296	365	163	214	257	257
10. Canada	214	256	274	346	357	451	633	660
11. China	245	315	288	325	225	306	269	224
12. West Germany	215	247	215	287	223	237	364	400
13. Ryukyu	171	230	267	266	82	79	76	88
14. Singapore	124	143	160	209	32	30	36	62
15. South Vietnam	37	138	175	199	7	5	4	3
16. USSR	168	214	158	179	240	300	454	464
17. South Africa	137	127	157	170	120	133	267	334
18. Netherlands	119	145	127	155	43	61	101	86
19. Indonesia	205	119	155	147	149	176	195	252
20. India	204	167	138	139	184	206	259	293
21. Iran	58	72	77	137	242	362	529	632
22. Mexico	41	50	92	106	145	178	172	173
23. Malaysia	75	89	88	104	263	307	334	347
24. Switzerland	62	75	86	96	70	70	87	117
25. France	49	70	77	94	92	64	87	127

Source: Japanese Government, Economic Planning Agency -
Economic Statistics.

Table 6COMPOSITION OF JAPANESE IMPORTS

(Value Million \$)

	1960	1965	1966	1967	1968
<u>Foodstuffs</u>	548	1470	1676	1805	1879
Wheat	177	251	278	308	289
Maize	78	197	207	219	242
Sugar	111	156	126	122	147
<u>Textile Materials</u>	762	847	923	898	952
Wool	265	343	420	365	363
Raw Cotton	431	442	424	443	511
<u>Metallic Minerals</u>	673	1019	1208	1600	1649
Iron Ore	214	524	606	718	834
Steel Scrap	230	153	145	312	158
<u>Other Raw Materials</u>	444	869	1144	1370	1592
Raw skin	41	59	98	75	74
Soyabean	107	226	272	272	274
Crude Rubber	126	91	97	89	83
Timber	170	493	677	934	1161
<u>Mineral Fuels</u>	742	1626	1840	2239	2675
Coal	141	270	303	101	518
Petroleum	465	1047	1200	1457	1685

(Contd.....)

Table 6 (contd.....)

	'1960	'1965	'1966	'1967	'1968
<u>Chemicals</u>	265	408	497	611	690
<u>Machinery</u>	435	760	820	1053	1327
<u>Iron & Steel</u>	88	141	133	369	246
All others	535	1029	1318	1718	1978
TOTAL	4492	8169	9523	11663	12988

Source: Japanese Government, Economic Planning
Agency - Economic Statistics.

Table 7

CHANGE IN THE EXPORT STRUCTURE OF JAPAN

	(% to total exports)				
	1955	1960	1965	1966	1968
<u>Heavy Metal and Chemical Industries</u>	<u>38.4</u>	<u>43.6</u>	<u>62.6</u>	<u>63.5</u>	<u>67.9</u>
Metal products	19.2	13.8	20.3	18.2	18.1
Iron and steel	12.9	9.6	15.3	13.2	13.1
Machinery and apparatus	13.7	25.3	35.2	38.4	43.6
Ships	3.9	7.1	8.8	8.4	7.4
Chemical products	5.1	4.5	6.5	6.8	6.2
<u>Light Industry Products</u>	<u>52.0</u>	<u>47.5</u>	<u>31.8</u>	<u>30.6</u>	<u>27.2</u>
Textile goods	37.3	30.0	18.7	18.0	15.2
Non-metallic ore products	4.9	4.4	3.1	2.9	2.6
Other light industrial products	9.3	13.1	10.0	9.7	9.4
<u>Raw materials and fuels</u>	<u>6.3</u>	<u>2.2</u>	<u>1.5</u>	<u>1.4</u>	<u>1.3</u>
<u>Foodstuff</u>	<u>3.3</u>	<u>6.3</u>	<u>4.1</u>	<u>3.9</u>	<u>3.6</u>

Source: Japan's Ministry of Finance - Japan's Imports and Exports Commodity by Country.

Table 8COMPOSITION OF JAPANESE IMPORTS

(Value \$ Million)

						<u>Percentage to Total</u>		
	<u>'1960</u>	<u>'1965</u>	<u>'1966</u>	<u>'1967</u>	<u>'1968</u>	<u>'1960</u>	<u>'1967</u>	<u>'1968</u>
0. Food	529	1416	1602	1733	1812	11.78	14.86	13.95
1. Beverages & tobacco	18	54	75	72	67	0.40	0.62	.52
2. Crude minerals except fuels	2169	3167	3813	4442	4816	48.30	38.08	37.08
3. Mineral fuels	742	1626	1803	2239	2675	16.52	19.19	20.59
4. Animal & vegetable oils & fats	38	54	60	51	50	0.85	0.44	.38
5. Chemicals	265	408	497	611	690	5.90	5.24	5.32
6. Manufactured goods	257	551	690	1258	1291	5.72	10.78	9.94
7. Machineries & transport equipment	403	711	768	971	1226	8.97	8.33	9.44
8. Miscellaneous manufactured articles	60	165	193	249	310	1.34	2.13	2.39
9. Miscellaneous transactions	10	17	26	37	51	0.22	0.33	.39
Total	4491	8169	4522	11663	12988	100.00	100.00	100.00

(Contd.....)

Table 8 (contd.....)

COMPOSITION OF JAPANESE EXPORTS

(Value \$ million)

	1960	1965	1966	1967	1968	Percentage to Total		
	1960	1965	1966	1967	1968	1960	1967	1968
0. Food	261	333	369	361	418	6.44	3.46	3.76
1. Beverages & tobacco	7	11	14	11	14	0.17	0.10	.10
2. Crude Minerals Except Fuels	123	223	229	210	244	3.08	2.01	1.88
3. Mineral fuels	16	30	32	33	31	0.39	0.32	.24
4. Animal & vegetable oils & fats	30	29	24	19	12	0.74	0.18	.92
5. Chemicals	169	547	669	684	805	4.17	6.55	6.20
6. Manufactured goods by materials	1854	3481	3663	3644	4524	45.72	34.90	34.87
7. Machinery & transport equipment	928	2643	3307	3817	4925	22.89	36.55	37.92
8. Miscellaneous manufactured articles	651	1167	1407	1614	1931	16.06	15.46	13.88
9. Miscellaneous Transactions	16	48	63	49	68	0.39	0.47	.53
Total	4055	8452	9776	10442	12972	100.00	100.00	100.00

Source: Japanese Ministry of Finance - Quarterly Bulletin of Financial Statistics, June 1968.

Table 9

STRUCTURE OF JAPANESE EXPORTS (1960-68)

(Value Million \$)

	1960	1965	1966	1967	1968
<u>Food</u>	256	344	383	372	432
Fish & Fish Pro- ducts	175	231	268	243	281
<u>Textile & Allied Products</u>	1223	1582	1762	1704	1977
a) Raw Silk	50	14	9	4	9
b) Cotton yarn	52	20	24	11	12
c) Rayon yarn	20	22	26	23	26
d) Cotton fabrics	351	303	286	248	238
e) Silk fabrics	52	38	32	26	25
f) Woollen fabrics	55	87	76	85	104
g) Synthetic fabrics	32	186	272	313	394
h) Rayon fabrics	57	68	66	61	57
i) Staple fabrics	118	90	88	71	67
j) Clothing	221	287	390	336	387
<u>Chemicals</u>	181	547	669	684	805
Non metallic mine- ral products	169	265	285	297	329
Metal & metal products	568	1718	1778	1781	2347
Iron & steel	388	1290	1293	1272	1712
<u>Machinery</u>	1035	2975	3757	4395	5656
Radio	145	216	278	334	421
Automobiles	78	237	306	436	712
Ships	288	748	823	982	1084
<u>Others</u>	622	1020	1142	1208	1425
Plywoods	63	65	74	69	93
Toys	90	98	103	101	113

Source: Japanese Govt. Economic Planning Agency -
Economic Statistics.

Table 10

COMPOSITION OF INDIA'S EXPORTS TO JAPAN

(Value in \$ Million)

Commodities	1961-62	1965-66	1968-67	1967-68	1968-69
1. Animal casing	0.7(.6)	1.6	2.2	N.A.	Nil.
2. Fish	0.1(.1)	1.0	2.0	6.8	6.2 (2.9)
3. Fruits & Vegetable	0.2(.2)	0.6	0.7	0.5	0.9 (0.4)
4. Molasses	0.6(.5)	0.1	0.8	0.2	Nil.
5. Tea	0.6(.05)	0.1	0.3	0.5	0.6 (0.3)
6. Spices	0.5(.4)	0.9	0.6	0.4	0.5 (0.2)
7. Oil cakes	0.3(.3)	1.1	5.2	3.8	5.3 (2.5)
8. Tobacco (Un-manufactured)	0.3(.3)	0.9	1.6	3.3	3.8 (1.9)
9. Wood in the round	0.3(.3)	1.0	1.2	1.9	2.4 (1.2)
10. Cotton raw	22.7(19.3)	17.6	12.8	16.2	11.7 (5.9)
11. Cotton waste	4.3(3.6)	0.6	0.2	0.27	0.7 (0.1)
12. Salt	0.8(.1)	0.4	0.4	0.6	0.5 (0.25)

(contd.....)

Table 10 (contd.....)

Commodities	1961-62	1965-66	1966-67	1967-68	1968-69
13. Mica	3.0 (2.5)	2.2	2.8	3.4	3.1 (1.4)
14. Iron ore & concentrates	41.0 (35.2)	62.1	73.2	76.6	102.3 (51.15)
15. Iron & steel scrap	12.9 (11.0)	11.1	12.9	14.3	9.9 (4.7)
16. Zinc ore & concentrates	0.6 (0.5)	0.3	N.A.	N.A.	N.A.
17. Manganese ore	0.6 (0.5)	5.2	5.5	7.6	10.6 (5.03)
18. Chromium ore & concentrates	0.5 (.4)	0.5	1.6	1.4	2.6 (1.2)
19. Ilminite	-	0.2	0.2	N.A.	0.3 (0.15)
20. Materials of animal origin n.e.s.	0.6 (0.5)	0.4	-	Nil	1.8 (0.9)
21. Opium crude	0.2 (0.2)	0.4	0.4	0.3	0.4 (0.2)
22. Coal & coke	0.1 (0.1)	0.06	0.06	0.3	0.06 (0.003)
23. Vegetable oils non-essential	0.3 (.3)	0.5	0.7	N.A.	0.6 (0.3)
24. Jute cloth	-	0.08	0.03	Nil	Nil
25. Gums, rosin & lac	0.3 (.3)	0.1	N.A.	Nil	0.1 (0.05)
Total including others	117.8	120	125.39	138.3	210.9

Figures in brackets are percentages to total exports.
Source: DGCIS - Monthly Statistics of the Foreign Trade of India.

Table 11COMPOSITION OF INDIA'S IMPORTS FROM JAPAN

(Value in \$ Million)

Commodities	1961- 62	1965- 66	1966- 67	1967- 68	1968- 69
1. Raw silk	1.3	0.6	0.5	0.2	Nil
2. Wool tops	2.4	0.02	Negl.	Nil	Nil
3. Synthetic fibres	0.02	1.4	0.5	0.8	Negl.
4. Chemical elements & compounds	4.0	4.3	9.0	2.7	29.1
5. Dyeing, tanning & colouring materials	1.7	0.4	0.5	0.3	0.2
(a) Coaltar dyes - stuff	1.6	0.3	N.A.	N.A.	N.A.
6. Medicinal & pharma- ceutical products	0.3	0.6	0.7	0.5	0.7
7. Fertilizers manufa- ctured	3.6	10.0	7.5	7.3	10.9
(a) Nitrogenous fertilizers	1.0	9.9	7.5	0.5	0.7
8. Synthetic plastic materials in primary form	1.3	1.9	N.A.	N.A.	0.09
9. Paper & paer board	1.1	1.3	1.1	0.6	0.9
10. Yarn & thread of syn- thetic fibres & spun glass.	3.9	3.5	3.1	0.8	1.8
11. Special textile fabrics & related products	0.3	0.4	0.4	0.1	0.4

(contd.....)

Table 11 (contd.....)

Commodities	1961- 62	1965- 66	1966- 67	1967- 68	1968- 69
12. Mineral manufactures N.E.S. not including clay & glass	0.4	0.2	0.2	6.1	Nil
(a) Carbon & graphite products	0.4	0.2	N.A.	N.A.	0.4
13. Precious & semi-precious stones & pearls, unworked & worked	1.2	1.0	1.00	0.7	0.9
14. Iron & steel	41.0	40.0	22.3	2.2	18.5
15. Non-ferrous metals	0.7	4.4	1.8	Nil	3.2
16. Manufactures of metals	1.1	1.8	0.8	0.3	0.7
17. Machinery other than electric	25.8	44.0	55.5	1.7	1.3
18. Power generating except electric machinery	2	1.0	1.2	0.6	0.8
19. Metal working machinery	1.7	2.0	3.3	0.4	2.1
20. Metal working machinery other than machine tools	1.1	0.6	N.A.	N.A.	0.3
21. Mining construction & other industrial machinery	22.1	39.4	N.A.	N.A.	38.9
22. Textile Machinery	7.1	10.0	6.3	7.3	2.8
23. Conveying, hoisting, excavating, road construction & mining machinery	2.3	3.0	N.A.	N.A.	0.5

(contd.....)

Table 11 (contd.....)

Commodity	1961- 62	1965- 66	1966- 67	1967- 68	1968- 69
24. Paper mill & pulp mill machinery & machinery for paper manufactures	0.6	0.1	-	0.1	N.A.
25. Electric machinery apparatus appliances	18.7	18.5	13.1	4.0	8.2
26. Electric generators, & alternaters, motors & converters, transformers & switchgears	11.0	10.1	0.8		3.3
27. Radio apparatus for telegraphy, televisions & radar	2.3	2.2	N.A.		1.1
28. Apparatus (other than radio) for telegraphy & telephony	0.08	1.0	11.1	2.4	Neg.
29. Apparatus for measuring & controlling electric signalling & safety apparatus	1.0	0.1	N.A.	0.1	Neg.
30. Insulated cables & wire for electricity	1.4	2.1	11	0.2	1.2
31. Insulators, electric procellaine	2.0	0.7	N.A.	N.A.	0.7
32. Transport equipment	6.7	15.7	7.0	2.1	2.6
33. Railway vehicles	5	14.3	5.7	1.9	Neg.
34. Wheels, axles for wagons & carriages	4.4	1.5	N.A.	0.3	0.3

(contd.....)

Table 11 (contd.....)

Commodities	1961- 62	1965- 66	1966- 67	1967- 68	1968- 69
35. Road motor vehicles	1.3	1.0	0.8	0.9	0.5
36. Bodies, chassis, frames & other parts for road motor vehicles	0.6	0.4	N A.	Nil	1.04
37. Professional, scientific & con- trolling instru- ments, photpgraphic & optical goods, watches & clocks	1.1	2.1	1.3	2.4	1.8
(a) Watches & clocks	0.1	0.4	N.A.	0.1	0.3
38. Printed matter	0.5	0.6	0.6	0.6	0.2
39. Defence stores all sorts	0.8	7.1	Nil	Nil	Nil
Total	632.5	327.3	230.0	144.4	153.7

DGCIS - Monthly Statistics of the Foreign Trade of India.

Table 12IRON ORE SUPPLY

(In '000 metric tons)

Year	Home	Imports from:					
	Production in Japan	Rep. of Africa	Malay- sia	Philip- pines	India	Austra- lia	Canada
1	2	3	4	5	6	7	8
1950	825	-	521	566	96	-	-
1955	988	-	1,632	1,616	1,341	-	497
1960	1,290	286	5,354	1,202	3,626	-	1,084
1961	1,159	453	6,640	1,229	4,871	12	1,115
1962	1,144	594	6,646	1,472	4,504	-	1,574
1963	1,132	591	6,700	1,417	5,801	-	1,886
1964	1,139	1,023	6,622	1,501	6,707	65	1,765
1965	1,143	1,149	6,956	1,482	7,729	210	1,950
1966	1,116	1,294	5,793	1,600	10,066	2,043	1,818
1967	1,098	2,606	5,181	1,453	10,618	8,314	1,680
1968	1,000	2,844	5,116	1,536	12,630	13,814	1,977

(contd.....)

Table 12 (contd.....)

Year	Imports from:					Total
	U.S.A.	Peru	Chile	Brazil	Others	
1	9	10	11	12	13	14
1950	-	-	-	-	242	1,425
1955	220	-	-	-	153	5,459
1960	825	633	249	355	434	14,861
1961	946	2,386	2,177	426	1,634	20,889
1962	864	2,495	3,011	646	504	22,128
1963	1,821	2,915	3,318	498	1,028	25,975
1964	2,005	3,494	5,417	439	2,062	31,100
1965	2,660	4,532	6,929	915	4,257	38,769
1966	3,724	5,063	7,629	1,704	5,112	45,846
1967	3,608	6,823	8,099	2,431	5,543	56,356
1968	3,544	7,363	8,707	2,177	8,210	67,918

Source: Japan's Iron & Steel Industry, 1968.

Table 13

IMPORT OF COTTON CLOTH INTO JAPAN (1964-68)

Commodity	Quantities in Metric Tons				
	1964	1965	1966	1967	1968
<u>Cotton Fabrics, Woven,</u> <u>Grey not Mercerised</u>					
India	-	-	1	-	-
Pakistan	24	8	-	1	129
South Korea	328	265	25	88	541
Formosa	124	-	-	4	2369
All others	111	82	48	932	634
Total	1087	365	74	1016	3673

Cotton Fabrics, Woven,
other than Grey

India	-	9	3	1	4
Pakistan	-	-	-	6	10
South Korea	-	3	-	24	27
Formosa	-	-	-	4	253
All others	37.32	409	860	1860	1288
Total	373	421	863	1856	1582

(contd.....)

Table 13 (contd.....)

Commodity	Value in '000 US \$				
	1964	1965	1966	1967	1968
<u>Cotton Fabrics, Woven,</u> <u>Grey not Mercerised</u>					
India	-	-	4	-	-
Pakistan	21	7	-	1	133
South Korea	765	346	27	109	730
Formosa	99	-	-	6	1775
All Others	139	153	95	883	1291
Total	1024	406	126	999	3929

Cotton Fabrics, Woven,
other than Grey

India	-	54	19	5	15
Pakistan	-	-	-	6	10
South Korea	-	5	-	42	1103
Formosa	-	-	-	6	1335
All others	2198	2081	3016	5800	4279
Total	2198	2190	3035	5859	6742

Source: 1) UN - Commodities Series - D.
 2) OECD - Commodities Series - C.
 3) Japan's Ministry of Finance - Japan's Imports and Exports Commodity by Country.

Table 14IMPORTS OF SELECTED MACHINERY INTO JAPAN

Item	Value in '000 \$				
	1964	1965	1966	1967	1968
<u>Machine Tools for Working Metals</u>					
India	-	-	-	-	-
U.S.A.	39530	26986	13046	21076	66287
W. Germany	22337	12864	9019	18372	48611
Switzerland	9680	5068	3142	5069	12198
USSR	952	447	130	853	1397
Czechoslovakia	289	472	399	665	2127
U.K.	2460	1489	5345	1712	4331
All Others	5002	2734	2247	3320	8924
Total	80250	51060	33400	51067	143875

Other Metal Working Machinery

India	-	-	-	-	-
U.S.A.	10088	6762	11915	4378	5516
W. Germany	3642	2632	1551	1267	2669
All others	1182	1865	652	1681	1296
Total	14912	11259	14118	7326	9481

(contd.....)

Table 14 (contd.....)

Items	Value in '000 \$				
	1964	1965	1966	1967	1968
<u>Textile Machinery</u>					
India	-	-	-	-	-
U.S.A.	10061	5586	4985	-	6874
W. Germany	16361	11661	9427	9139	17294
Switzerland	3124	1997	1239	2388	7133
U.K.	8234	5489	2035	5069	5567
All others	11821	5186	11276	23302	21805
Total	49601	29919	28962	39898	58673

Sewing Machines

India	-	-	-	-	-
U.S.A.	1488	1081	1175	1529	2003
W. Germany	1297	797	680	949	1743
Italy	123	147	285	329	414
U.K.	135	234	230	213	230
All others	39	81	133	203	312
Total	3082	2340	2503	3223	4702

Pumps & Centrifuges

India	-	-	-	-	Neg.
U.S.A.	17973	18031	17363	29384	30718
W. Germany	3528	2382	2561	3062	3856
Norway	351	252	1053	1008	328
Sweden	1777	2048	2307	2565	3676
U.K.	3368	1472	3160	3044	2787
All others	2205	2213	2650	2994	6923
Total	29202	26398	29094	42057	48288

(contd.....)

Table 14 (contd.....)

Item	Value in '000 \$				
	1964	1965	1966	1967	1968
<u>Parts & Accessories of Machinery</u>					
India	-	-	-	-	37
U.S.A.	-	17659	18201	24048	33770
W. Germany	-	3102	2807	3159	5165
U.K.	-	1616	2341	2075	2904
Denmark	-	886	899	1033	1339
Netherlands	-	335	963	897	459
All others	26356	2410	1746	2639	3702
Total	26356	26008	26957	33851	47376

Apparatus for
Electrical Circuits

India	-	-	-	-	-
U.S.A.	10477	11738	15293	17640	20569
Sweden	1573	638	108	2075	971
W. Germany	1625	1751	1441	1291	1875
U.K.	671	1025	1135	1022	1031
All others	1507	1814	2116	2749	3248
Total	15853	16966	20093	24777	27694

Thermionic Valves &
Tubes, Transistors etc.

India	-	-	-	-	-
U.S.A.	5979	8799	12257	19989	29340
Hong Kong	5	100	792	1568	3219
Netherlands	1333	891	827	1172	619
All others	823	794	715	1463	1826
Total	8140	10584	14591	24192	35004

(contd.....)

Table 14 (contd....)

Items	Value in '000			\$	
	1964	1965	1966	1967	1968
<u>Rail & Tram Freight</u>					
<u>Cars not Mechanically</u>					
<u>Propelled</u>					
India	-	-	-	-	-
U.S.A.	-	279	137	114	137
Switzerland	-	728	877	364	106
All others	233	1	1	119	97
Total	233	1008	1015	597	340

Bodies & Parts of
Motor vehicles excluding
motorcycles

India	-	-	-	-	-
U.S.A.	2440	3115	4227	7991	8003
U.K.	841	1729	3832	3302	3629
W. Germany	622	841	939	1114	1114
All others	53	98	112	273	351
Total	3956	5783	9110	12680	13097

Bicycles & other
Cycles, not Motorized

India	-	-	-	-	-
France	177	161	137	125	43
Switzerland	36	73	104	155	5
All others	192	257	212	156	68
Total	405	491	453	436	116

Sources: 1) OECD - Commodity Series - C.
 2) Japan's Ministry of Finance - Japan's Imports & Exports Commodity by Country.

Table 15

ESTIMATES OF POTENTIALS OF INDIAN EXPORTS TO JAPAN
IN 1974

(Value in million \$)

Commodity	Actual Exports from 1967-68	1968-69	Estimated potential in 1974
<u>Traditional Exports</u>			
1. Textiles	0.9	1.3	9.0
2. Jute	1.6	4.2	4.5
3. Tea	0.5	0.6	2.00
4. Spices	0.06	0.05	0.06
<u>Engineering products</u>			
5. Pig iron	24.7	31.1	5.00
6. Machine tools	-	Neg.	4.0
7. Electrical machinery & appliances	Neg.	Neg.	0.3
8. Other industrial machinery	-	-	1.7
9. Diesel engines	Neg.	Neg.	0.3
10. Transport equipment	Neg.	Neg.	2.0
11. Bicycles & parts	-	-	Neg.
12. Small hand tools	Neg.	-	-
13. Other machinery	-	-	10.0
14. Aluminium ingots	-	1.5	4.0
<u>Mineralores</u>			
15. Iron ore	76.9	94.6	173.0
16. Other mineral ores	12.1	16.75	24.8
(a) Mica	3.4	3.1	6.0
(b) Manganese	7.6	10.6	13.8
(c) All others	1.1	3.05	5.0

(Contd.....)

(Contd...)

Commodity	Actual Exports from		Estimated
	1967-68	1968-69	potential in 1974
<u>Other products</u>			
17. Rubber tyres & tubes	-	-	-
18. Medicine & pharmaceuticals	Neg.	Neg.	0.08
19. Chemicals (including dyed & Caustic soda)	0.4	3.9	3.00
All other product			
(a) Fish	6.6	6.8	35.0
(b) Maize	-	-	13.7
(c) Oil cake	0.8	5.3	11.0
(d) Tobacco	3.3	3.8	4.0
(e) Diamonds & jewellery	1.3	1.4	18.0
(f) Preserved fruits & vegetables	0.5	0.9	5.00
(g) Wood	1.9	2.4	20.00
(h) Cotton	16.2	11.7	16.00
(i) Iron & steel scrap	14.3	9.9	13.00
(j) All others	27.84	24.7	35.06
GRAND TOTAL	180.90	210.0	415.00

Appendix I

THE SURVEY TEAM

Director-General

Shri S. Bhoothalingam

Project Director

Shri R.S. Sharma

Consultants

Indian

Shri N.J. Kamath
Shri B.N. Khosla

Foreign

Dr. Morton C. Grossman
Mr. William H. Rusch

Economists

Shri S.R. Chawla
Dr. R.G. Gidadhubli
Shri N.R. Gopalakrishnan
Dr. P.C. Jain
Shri K. Kasturi
Shri V. Krishnamurthy

Shri P.K. Krishnaswamy
Shri P.L. Narayana
Shri R.K. Patil
Dr. T. Rameswara Rao
Shri T.R. Sehgal
Shri N. Venkataraman

Appendix 2LIST OF PERSONS CONTACTED DURING FIELD VISITGovernment & Semi-Government Institutions

1. Ministry of International Trade & Industry
 - i) Economic Cooperation Policy Section
 - ii) Textile & General Merchandise Section
 - iii) International Economic Affairs Division
2. Ministry of Finance - International Tax Affairs Secretariat
3. Economic Planning Agency - Planning Bureau
4. Japan External Trade Organization
5. Japan Productivity Centre
6. Asian Productivity Organization
7. Osaka Productivity Centre
8. Embassy of India
9. Kansai Regional Productivity Centre

Chambers of Commerce

10. Federation of Economic Organizations - Foreign Trade Division.
11. Japan Chamber of Commerce & Industry
12. The Tokyo Chamber of Commerce & Industry
13. Japan Spinners Association, Osaka
14. Japan High Grade Cost Iron Traders Association
15. Japan Castings Association
16. Osaka Chamber of Commerce & Industry - International Section
17. Japan Machinery Exporters Association

Research Organizations

18. Japan Economic Research Centre
19. The Institute of Developing Economies

Industry & Trade

20. The Minerals and Metals Trading Corporation of India Ltd.

21. Mitsubishi Shoji Kaisha & Co.

- i) Asia Section
- ii) Feed, Meat & Livestock Department
- iii) Export Development Section
- iv) Fertiliser Department
- v) Ferrous Raw Materials Department
- vi) Machinery Department

22. Mitsui & Co. Ltd.

- i) Executive Managing Director
- ii) Manager Delhi Office
- iii) Asia Section
- iv) Machinery Department
- v) Iron ore Division

23. Marubeni - Iida & Co. Ltd.

- i) Textile Machinery Department
- ii) Machinery Export Department
- iii) Yarn & Textile Department
- iv) Co-ordination Department

24. Okura Trading Co. Ltd.

25. Summitomo Shoji Kaisha Ltd.

- i) Asia Section
- ii) Business Administrative Division

26. Nichimen & Co. Ltd.

27. C. Itoh & Co. Ltd.

- i) Overseas Department
- ii) Textile Planning & Coordination Department
- iii) Feed, Meat & Livestock Department

28. Fuji Heavy Industries Ltd.
29. Tokyo Engineering Corporation
30. Tokyo Shibaura Electric Co. Ltd.
31. Hitachi Ltd.
32. Hitachi Cable Co. Ltd.
33. Sumitomo Chemical Co. Ltd.
34. Overseas Merchandise Inspection Co. Ltd.
35. Kanegutuchi Boseki (Spinning) Co. Ltd., Osaka
36. Brother Industries Ltd., Nagoya
37. Fuji Iron & Steel Co. Ltd. Nagoya
38. Nissan Motor Co. Ltd.
39. Nippon Iryo & Co. Ltd., Nagoya
40. Osaka Industrial Estate.

Appendix 3

Attachment I

' Article 2 paragraph 1
 ' Based of Import Trade Control
 ' on Regulation
 ' Under Ministry of International
 ' Juris-Trade & Industry
 ' dic-
 ' tion
 ' of

APPLICATION FOR LICENCE TO IMPORT UNDER
ARTICLE 4 PARAGRAPH 1 OF IMPORT TRADE
CONTROL ORDER

Name of the Applicant _____ *License No. _____

Address _____ Tel.No. _____ *Date of License _____ * Date of Expiration
 tion

Name & Seal
 or Signature _____ *Extended
 Date of Expiration _____

Title _____ * Particulars, Date & No. of
 Approval by MITI concerning
 Amendment of this Licence
 (including Extension of this
 Licence)
 Application
 Date: _____

Request is made for licence to import goods as mentioned
 hereunder.

(Reverse-side to be used by Authorized Foreign Exchange Bank)
and Customs

1. Bank's Certificate for Establishment of Letter of Credit.

L/C No. & Name of L/C	Date of 'Expira- 'tion	Date of 'L/C Amount 'shipment	Name of 'Commo- 'dity	Quantity 'of L/C	Date of 'Opening 'of L/C	'Bank's 'Name & 'Seal
Notifying Bank						

2. Bank's Certificate concerned with Foreign Exchange Settlement

Amount of Settlement	'Currency of 'Account of 'Settlement	Method of 'Settlement 'and No. of 'L/C, etc.	T/R or L/C 'Kind & 'No.	Date 'Date	Date of 'Settlement	'Bank's Name ' & Seal

3. Customs Clearance

Customs Declara- tion No.	Date of 'Declara- 'tion	Name of 'Commo- 'dity	Invoice 'Quantity	Invoice 'Amount	Quantity 'Cleared	Amount 'Cleared	Port 'of un- 'load- 'ing	Date of 'Permi- 'ssion 'on or 'Appro- 'val	'Customs 'Seal

Notes:

1. The applicant shall not fill out the columns marked with *
2. Items designated in the columns of "III Allocation" and "Affixing of Condi- tions or establishment of special term of validity effected by the Minister of International Trade and Industry", which are mentioned in certificate of import allocation, shall be described in the corresponding column of this application for approval of import with mark* of the spot.
3. In the Column of "No. etc. of Customs Tariff List" the description shall be made of numbers or marks affixed to items of the detailed classifica- tion concerned in the numbers of customs tariff list and in the column of names of goods of the same list.
4. In the column of "Marks of Classification" marks which are to be stipulated specially by the Minister of International Trade and Industry in accordance with number, etc. of customs tariff list shall be described.
5. The size of paper for the form shall be No. 4 of the ro-B and its quality shall be printing-paper-A of JIS-P-3101 and 55 kilograms per ream.
6. In an unavoidable case, the application may be filled out in English.

Appendix 4SUMMARY OF JAPAN'S TRADE AND FINANCIAL AGREEMENTS

(As of Nov. 30, 1968)

Country	Term of Validity	Treatment	
		Tariff	Export and Imports system
1	2	3	4
1. Argentina	Indefinite from Sept. 18, 1961	Treatment as applied to any European Country or U.S.A.	Treatment as applied to any European Countries or U.S.A.
2. Austria	From Aug. 5, 1963 to Aug. 4, 1966 (thereafter has been extended automatically)	Most-favoured-nation Treatment	Most-favoured-nation Treatment
3. Austria	From May 1, 1967 to Dec. 31, 1968	Non-discriminatory Treatment	Non-discriminatory Treatment
4. Benelux	From April 10, 1962 to April 9, 1965 (thereafter has been extended automatically)	Non-discriminatory Treatment	Non-discriminatory Treatment
5. Bulgaria	From May 28, 1967 to Dec. 31, 1971	Treatment as favourable as possible	Treatment as favourable as possible

(Contd...)

Appendix 4 (Contd.)

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1	2	3	4
6. Cambodia	From Feb. 15, 1960 to Feb. 14, 1967 (Defacto)	Treatment as favourable as possible (based on the principle of non-discrimination)	Treatment as favourable as possible (based on the principle of non-discrimination)
7. Cameroon	From Sept. 25, 1962 to Sept. 24, 1969 (thereafter has been extended automatically)	Treatment as favourable as possible (based on principle of non-discrimination)	Treatment as favourable as possible (based on principles of non-discrimination)
8. Canada	Indefinite from June 7, 1954	Most favoured-nation Treatment (the Government of Canada reserves the right to establish values for ordinary and special duty purposes on emergency)	Most-favoured-nation Treatment
9. Ceylon	Indefinite from Sept. 6, 1952	Most-favoured-nation Treatment	Most-favoured-nation Treatment
10. Chad	From Jan. 1, 1965 to Dec. 31, 1969	Treatment as favourable as possible (based on the principle of non-discrimination)	Treatment as favoured as possible (based on the principle of non-discrimination)

Appendix 4 (Contd..)

1	2	3	4
11. China (Taiwan)	From Oct. 1, 1961 to Sept. 31, 1969		
12. Cuba	From July 20, 1961 to July 19, 1964 (thereafter has been extended automatically)	Most-favoured nation Treatment	Most-favoured-nation Treatment
13. Czechoslovakia	From Sept. 25, 1960 to Sept. 24, 1965 (there- after has been extended automati- cally)	Most-favoured nation Treatment	Most-favoured-nation Treatment
14. Dahomey	From Nov. 22, 1962 to Nov. 21, 1969.	Treatment as favour- able as possible (based on the principle of non- discrimination)	Treatment as favour- able as possible (based on the principle of non- discrimination)
15. El Salvador	From July 1, 1964 to June 30, 1970	Most-favoured- nation Treatment	Most-favoured- nation Treatment
16. Finland	Indefinite from April 1, 1957		
17. Ethiopia	From Jan. 15, 1968 to Jan. 14, 1969 (thereafter has been extended automatically)	Treatment as favour- able as possible	Treatment as favour- able as possible

Appendix 4 (Contd.)

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1	2	3	4
18. France	Indefinite from January 1, 1957 From Jan. 10, 1964 to Jan. 9, 1970 (thereafter has been extended automatically)	Non-discriminatory	Non-discriminatory
19. Ghana	From July 1, 1963 to June 30, 1964 (thereafter has been extended automatically)	Most-favoured-nation Treatment	Most-favoured-nation Treatment
20. Greece	From Oct. 1, 1966 to Sept. 30, 1968		
21. Guinea	From April 19, 1963 to April 18, 1969	Treatment as favourable as possible (based on the principle of non-discrimination)	Treatment as favourable as possible (based on the principle of non-discrimination)
22. Haiti	From Oct. 31, 1963 to Oct. 30, 1966 (thereafter has been extended automatically)	Most-favoured-nation Treatment	Most-favoured-nation Treatment

(Contd.)

Appendix 4 (Contd..)

1	2	3	4
23. Hungary	From April 11, 1961 to April 10, 1969 (thereafter has been extended automatically)	Most-favoured-nation Treatment	Most-favoured-nation Treatment
24. India	From April 8, 1958 to April 7, 1969 (thereafter been extended automati- cally)	Most-favoured-nation Treatment	Most-favoured-nation Treatment
25. Indonesia	From March 8, 1963 to March 7, 1966 (thereafter has been extended automatically)	-do-	-do-
26. Iraq	From Sept. 7, 1964 to Sept. 6, 1969	Non-discriminatory Treatment	Non-discriminatory Treatment
27. Jordan	From March 3, 1960 to March 2, 1969	Treatment as favour- able as possible (based on the prin- ciple of discrimi- nation)	Treatment as favour- able as possible (based on the prin- ciple of discrimina- tion).
28. Republic of Korea	From March 24, 1966 to March 23, 1969	Non-discriminatory Treatment	Non-discriminatory Treatment (Contd...)

Appendix 4 (Contd..)

1	2	3	4
29. Madagascar	From May 10, 1963 to May 9, 1969	Treatment as favourable as possible	Treatment as favourable as possible
30. Malaysia (state of Malaya)	From Aug. 16, 1960 to Aug. 15, 1963 (thereafter has been extended automatically)	Most-favoured-nation Treatment	Most-favoured-nation Treatment
31. Mali	From Nov. 1, 1964 to Oct. 30, 1969	Treatment as favourable as possible	Treatment as favourable as possible
32. Morocco	From Dec. 24, 1960 to Dec. 23, 1969	-do-	-do-
33. New Zealand	From Nov. 26, 1958 to Sept. 8, 1961 (thereafter has been extended automatically)	Most-favoured-nation Treatment	Most-favoured-nation Treatment (with safe-guards)
34. Niger	From Nov. 5, 1962 to Nov. 4, 1969	Treatment as favourable as possible (based on the principle of non-discrimination)	Treatment as favourable as possible (based on the principle of non-discrimination).
35. Norway	Indefinite from Oct. 14, 1957 to Oct. 13, 1962 (thereafter has been extended automatically).	Most-favoured-nation treatment	Treatment as favourable as possible

Appendix 4(Contd.)

1	2	3	4
36. Pakis- tan	From Aug.20, 1961 to Aug.19, 1966 (thereafter has been extended automatically).	Most-favoured-nation treatment	Most-favoured-nation treatment
37. Peru	From Dec.18, 1961 to Dec.17, 1970 (thereafter has been extended automatically)	-do-	-do-
38. Phil- ppines	Indefinite from Jan.7, 1958	Treatment as favour- able as possible (based on the princi- ple of non-discri- mination).	Treatment as favourable as possible(based on the principle of non- discrimination)
39. Poland	From April 26, 1958 to April 25, 1959, from Jan.16, 1959 to Jan.15, 1964 (thereafter has been extended automatically)	Most-favoured-Nation Treatment	Most-favoured-Nation Treatment
40. Rumania	From Nov.30, 1960 to Dec.31, 1969		Non-discriminatory Treatment as a general rule
41. Sweden	From May 5, 1952 to March 31, 1969		

Appendix 4 (Contd.)

1	2	3	4
42. South West Islands	Indefinite from Oct. 1, 1952		
43. Spain	From Jan. 1, 1966 to Dec. 31, 1968		
44. Syria	From Aug. 16, 1953 to Aug. 15, 1969	Application of ordinary Tariff Rate	Treatment as favourable as possible
45. Thailand	From Jan. 1, 1958 to Dec. 31, 1969		Accorded a treatment no less favourable than that accorded to any third country
46. Togo	From October 16, 1963 to October 15, 1969	Treatment as favourable as possible (based on the principle of non-discrimination).	Treatment as favourable as possible (based on the principle of non-discrimination)
47. Tunisia	From April 1, 1960 to March 31, 1969		Treatment as favourable as possible
48. United Arab Republic	From Nov. 28, 1958 to Nov. 27, 1969	Treatment as favourable as possible (based on the principle of non-discrimination)	Non-discriminatory Treatment

(Contd..).

Appendix 4(Contd.)

1	2	3	4
49. United Kingdom	From May 4, 1963 to May 3, 1969 (thereafter has been extended automatically)	Most-favoured-nation Treatment	Most-favoured-nation Treatment
50. U.S.A.	From Oct. 30, 1953 to Oct. 29, 1963 (thereafter has been extended automatically)	Most-favoured-nation Treatment	Most-favoured-nation Treatment
51. U.S.S.R.	From Jan. 1, 1966 to Dec. 31, 1970		
	From May 9, 1958 to May 8, 1962 (thereafter has been extended automatically)	Most-favoured-nation Treatment	Most-favoured-nation Treatment
52. Republic of Germany many	From July 1, 1960 to Jan. 30, 1961 (thereafter has been extended automatically).	Most-favoured-nation Treatment	-do-
53. Yugoslavia via	Indefinite from July 20, 1969	-do-	Non-discriminatory Treatment

(Contd.)

Appendix 4(Contd.)

1	2	3	4
54. Zambia	From Aug. 6, 1965 to Aug. 5, 1966 (thereafter has been extended automatically).	Treatment as favourable as possible (based on the principle of non-discrimination).	Treatment as favourable as possible (based on the principle of non-discrimination)

Remark: *1 Received July 8, 1953.

Appendix 4(Contd.)

Country	Term of Validity	Major Commodities		Basis of Payment
		Export	Imports	
1	2	5	6	7
1. Argentina	Indefinite from Sept.18,1961	Machinery, Iron and Steel, Chemicals, etc.	Wool, Iron Ore, Maize, etc.	
2. Australia	From Aug.5,1963 to Aug.4,1966 (thereafter has been extended automatically)	Textiles, Optical instrument, Iron & Steel, Fishery machinery products, Pottery, Canned fish, Telecommunication equipment, Chemical Fertilizers, etc. Textiles, Machinery, etc.	Wheat, Wool, Sugar, Coal Scrap iron, etc.	
3. Austria	From May 1,1967 to Dec.31,1968		Metal and metallic minerals, machinery, etc.	
4. Benelux	From April 10, 1962 to April 9, 1965 (thereafter has been extended automatically)	Textiles, Machinery, Marine products, optical instrument, Motor-vehicles, etc.	Scrap-iron, Chemical products, etc.	

(Contd..)

Appendix 4(Contd.)

1	2	5	6	7
5. Bulgaria	From May 28, 1967 to Dec. 31, 1971	Synthetic fibre, Rose Oil tyres, Ball bear-Sun flower ings, Machinery, seed, etc. etc.	Convertible currencies	
6. Cambodia	From Feb. 15, 1960 to Feb. 14, 1967 (defacto)	Textiles, Metal, Rice, maize, & metal products, beans, Non-metallic Lumber, minerals & their Cotton, products, etc. minerals, etc.	Pound ster- ling and/or other con- vertible currencies	
7. Cameroon	From Sept. 25 1962 to Sept. 24, 1969 (thereafter has been extended automatically)	Machinery, Chemical and pharmaceutical products, Textiles Cotton yarn and its products, Synthetic fibres products, miscellaneous articles, etc.	Cocoa, Coffee, Lumber, etc.	Convertible currencies
8. Canada	Indefinite from June 7, 1954	Textiles, Iron & Steel products, and pulp, Machinery, Pottery, iron ore, Telecommunication Non-ferrous equipment, etc. metal scrap, etc.	Wheat, Wood	

(Contd..)

Appendix 4(Contd.)

1	2	5	6	7
9. Ceylon	Indefinite from Sept.6,1952		Cement, Iron & Tea, Rubber, Pound Sterling Steel, Machinery, Oil seeds, Textiles, Sewing Copra, Gra- machines, Bicycles, phite, etc. Porcelain, Chemi- cal, etc.	
10. Chad	From Jan.1,1965 to Dec.31,1969.			
11. China (Taiwan)	From Oct.1,1961 to Sept.30,1969		Machinery, Sugar, Rice, U.S.Dollar & Textiles, Iron& Salt, Pine- Other converti- Steel, Chemi- apple, Bananas, ble currencies cals, Fertilisers, etc.	
12. Cuba	From July 20,1961 to July 19,1964 (thereafter has been extended automatically).		Iron & Steel, Metal products, Textiles, etc.	Sugar, etc.
13. Czechoslo- vakia	From Sept.25,1960 to Sept.24,1965 (thereafter has been extended automatically)		Machinery, Malt, Machinery, Graphite, Ball- etc. bearing, Iron and Steel, etc.	
14. Dohemey	From Nov.22,1962 to Nov.21,1969		Cotton yarn and its products, synthetic fibres, & its products etc.	Convertible Currencies

(Contd...).

Appendix 4(Contd.)

1	2	5	6	7
15. El Salvador	From July 1, 1964 to June 30, 1970	Cotton yarn and its products, Motor-vehicles, etc.	Sulphite pulp for rayon and pound sterling paper, hide and skin, etc.	Transferable
16. Finland	Indefinite from April 1, 1957			
17. Ethiopia	From Jan. 15, 1968 to Jan. 14, 1969 (thereafter has been extended automatically)	Textiles, Tyres, Tubes, Iron & Steel, etc.	Coffee beans, Salt, Sesame, Raw cotton, etc.	Convertible currencies
18. France	Indefinite from Jan. 1, 1957. From Jan. 10, 1964 to Jan. 9, 1970 (thereafter has been extended automatically)	Machinery, Textiles, Chemicals, Fishery products, etc.	Machineries, France, pound Phosphate rock, sterling or Hide and skin other con- Scrap iron, etc. convertible currencies	
19. Ghana	From July 1, 1963 to June 30, 1964 (thereafter has been extended automatically)	Textiles, Food-stuffs, Machinery, etc.	Cocoa beans, oilseeds, etc. Pound sterling & other convertible currencies	
20. Greece	From Oct. 1, 1966 to Sept. 30, 1968	Textiles, Machinery, Iron & Steel, etc.	Leaf tobacco	Convertible currencies

Appendix 4 (Contd.)

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1	2	5	6	7
21. Guinea	From April 19, 1963 to April 18, 1969	Cotton Textiles, synthetic fibres products, etc.	Cocoa, cotton, etc.	
22. Haiti	From Oct. 31, 1963 to Oct. 30, 1966 (thereafter has been extended automatically)	Machinery, Rubber products Motor-vehicles, Textiles, sewing machines, synthetic Fabrics, etc.	Copper ore	Convertible currencies
23. Hungary	From April 11, 1961 to April 10, 1969 (thereafter has been extended automatically)	Textiles, Chemi- cal fertilizers, Electric communi- cation, equip- ments, etc.	Machinery, Wine, Aluminium ingot, etc.	-do-
24. India	From April 8, 1958 to April 7, 1969 (thereafter has been extended automatically)	Textiles, Chemical ferti- lizers, Iron and Steel, Electric communi- cation equip- ments, Motor Vehicles, silk and its products, etc.	Raw cotton, Iron ore, Sugar, Crude materials, etc.	

(Contd.)

Appendix 4(Contd.)

1	2	5	6	7
25. Indonesia	From March 8, 1963 to March 7, 1966 (thereafter has been extended automatically)	Textiles, Metals Rubber, Crude and its products oil, Metallic ore, etc.		
26. Iraq	From Sept. 7, 1964 to Sept. 6, 1969	Machinery, Syn- thetic Fibres and its products, etc.	Crude oil, Dates.	Convertible currencies
27. Jordan	From March 3, 1960 to March 2, 1969	Textile Lumber, metal and its products, etc.	Phosphate rock, crude oils, etc.	Pound ster- ling and other con- vertible currencies
28. Korea	From March 24, 1966 to March 23, 1969	Machinery, Text- iles, Chemical Fertilizers, Iron and steel, etc.	Rice, Fish- ery products, Iron ore, Coal and other mineral products	U.S. Dollar and/or other convertible currencies
29. Madagascar	From May 10, 1963 to May 9, 1969	Synthetic fabrics and its products, cotton yarn and its products, machi- nery, etc.	Coffee bean, etc.	Convertible currencies

(Contd.)

Appendix 4(Contd.)

1	2	5	6	7
30. Malaysia (State of Malaya)	From Aug.16,1960 to Aug.15,1963 (thereafter has been extended automatically)	Cotton yarn and its products synthetic fabrics and its products, Iron and Steel, Electric communi- cation equip- ments, Motor vehicles, metals and its products, machinery, etc.	Raw rubber, Iron ore, Crude oil, Bauxite, etc.	
31. Mali	From Nov.1,1964 to Oct.30,1969			Convertible currencies
32. Morocco	From Dec.24,1960 to Dec.23,1969	Synthetic fabrics and its products, Green tea, etc.	Phosphate rock, etc.	
33. New Zealand	From Nov.26,1958 to Sept.8,1961 (thereafter has been extended automatically)	Cotton yarn and its products, Synthetic fabrics and its products, Iron ore & Steel, Motor-vehicles, optical equip- ments, etc.	Raw wool, pharmaceutical Products, animal & Vegetable oil and fats, etc.	

Appendix 4(Contd.)

1	2	5	6	7
34. Niger	From Nov. 5, 1962 to Nov. 4, 1969		Cotton, Textiles, Cocoa, Cotton seeds, etc.	
35. Norway	Indefinite from Oct. 14, 1957 to Oct. 13, 1962 (thereafter has been extended automatically)		Machinery, etc. Pig iron, Scrap iron, Machinery, etc.	
36. Pakistan	From Aug. 20, 1961 to Aug. 19, 1966 (thereafter has been extended automatically)		Synthetic Fabrics and its products, iron and steel, machinery, etc.	Raw cotton, jute, etc.
37. Peru	From Dec. 18, 1961 to Dec. 17, 1970 (thereafter has been extended automatically)		Synthetic Fabrics and its products, iron and steel, machinery, etc. Metal and meta- llic products, etc.	Iron ore, Copper ore, etc.
38. Philip- pines	Indefinite from Jan. 7, 1958		Vessels, Chemi- cals, Iron and steel, Synthetic fabrics and its products, Machi- nery, etc.	Lumber Copper ore, iron ore, etc.

Appendix 4(Contd.)

1	2	3	4	5	6	7
39.	Poland	From April 26, 1958 to April 25, 1969 From Jan. 16, 1959 to Jan. 15, 1964 (thereafter has been extended auto- matically)	Fishery products, iron and Steel, etc.	Hop, Malt, Barley, Machineries, Evaporated milk, etc.	Transferable pound ster- ling, US \$ or other convertible currencies	
40.	Rumania	From Nov. 30, 1960 to Dec. 31, 1969	Fishery products, Synthetic fabrics, and its products, Iron and steel Tyres, Canned goods, etc.	Maize, Lumber, Oil Sun- flower seeds, etc.		
41.	Sweden	From May 5, 1952 to March 31, 1969	Machinery, Metallic products, Textiles, etc. Synthetic fibres, and its pro- ducts, Fishery products, Cotton yarn and its products, iron and steel, Electric communi- cation equipments, motor-vehicles, etc.	Pulps, Machineries, Hide and skins, etc. Sugar, Lumber Hide and skins, etc.		

(Contd.)

Appendix 4(Contd.)

1	2	5	6	7
42. South West Islands	Indefinite from Oct.1, 1952	Machinery, Iron and Steel, Food-stuffs, etc.	Sugar, Phosphate, etc.	U.S.\$ or any other currencies receivable by claimant country
43. Spair	From Jan.1, 1966 to Dec.31, 1968	Cotton yarn and its products, Wool yarn and its products, Chemicals, machinery, metallic products, etc.	Raw cotton, cotton seed, Hide and skin, etc.	Pound sterling U.S.\$, or other currencies approved by competent authorities of both countries.
44. Syria	From Aug.16, 1953 to Aug. 15, 1969.			
45. Thailand	From Jan.1, 1958 to Dec.31, 1969	Iron and Steel, Motor-vehicles, Machinery, porcelain, Synthetic fabrics and its products.	Maize, Rice, Rubber, Sun flower, etc.	Convertible currencies
46. Togo	From Oct.16, 1963 to Oct.15, 1969	Cotton yarn and its products, Galvanized iron sheets, Synthetic Fabrics and its products, etc.	Phosphate rock, etc.	Convertible currencies

Appendix 4(Contd.)

1	2	5	6	7
47. Tunisia	From April 1, 1960 to March 31, 1969	Fishery nets, Machinery, etc.	Salt, Phosphate, rock, etc.	Pound sterling and or other convertible currencies
48. United Arab Republic	From Nov. 28, 1958 to Nov. 27, 1969	Chemicals, Galvanized Iron sheet, Non- ferrous metallic products, machinery, etc. Textiles, etc.	Raw cotton, phosphate rock, Rice, Iron ore, etc.	
49. United Kingdom	From May 4, 1963 to May 3, 1969 (thereafter has been extended automatically)	Electric communication equipments, Motor-vehicles, optical equip- ments, Oil and fats, Wax, Chemical Products, Fishery Products, etc.	Machineries, Scrap iron, Crude oil, Raw wool, Pharmaceuti- cal products, etc.	
50. U. S. A.	From Oct. 30, 1953 to Oct. 29, 1963 (thereafter has been extended automatically)	Iron and steel products, Electric communication equipments, Textiles, China ware, etc.	Machineries, Electric iron scrap, Coal, Soyabean, Lumber, Raw cotton, etc.	

(Contd.)

Appendix 4(Contd.)

1	2	5	6	7
51. U.S.S.R.	From Jan. 1, 1966 to Dec. 31, 1970 From May 9, 1958 to May 8, 1962 (thereafter has been extended automatically).	Ships, Synthetic, fabrics and its products Machinery, Iron and Steel, Rubber products, etc. Vessels, Electric communication equipments, Textiles, Machinery, Chemicals, etc.	Heavy Coking Convertible coal, Machineryes, Lumber, Pig-iron, Crude oil, Potassium chloride, etc. Lumber Coal, Pig Iron, Mineral ores, Crude Oil, Machinery, etc.	
52. Republic of Germany	From July 1, 1960 to Jan. 30, 1961 (thereafter has been extended automatically)	Machinery, Textiles, Chemicals, Pottery, Oil and fats, Wax, Fishery products, etc.	Potassium Chloride, Pig iron, Machineryes, Pharmaceutical Products, Iron ore, etc.	
53. Yugoslavia via	Indefinite from July 20, 1959	Ships, Machinery, Fishery products, Wool yarn and its products, etc.	Foodstuffs, Tar pitch, etc.	

Appendix 4(Contd.)

1	2	5	6	7
54. Zambia	From Aug. 6, 1965 to Aug. 5, 1966 (thereafter has been extended automatically)	Cotton yarn and its products, Machinery, etc.	Copper mineral ores, etc.	Convertible currencies.

Remark: *1 Received July 8, 1953.

Attachment 1-2

Appendix 5

Report of Approval for Import.

To: Minister of International Trade and Industry

No. of Approval	Marks of Classification	Amount of Foreign Exchange (In Dollar)

Total.

(No. of Items)

Note: The size of paper for the form shall be No. 5 of the row-B.

Based on Article 3 paragraph 1
of Import Trade
Control Regulation

Under Ministry of Interna-
juris- tional Trade and
diction Industry
of

APPLICATION FOR LICENCE TO IMPORT UNDER ARTICLE 8
PARAGRAPH 1 OF IMPORT TRADE CONTROL ORDER

To: Ministry of International Trade and
Industry or Chief of Customs

Name of Applicant: _____ Date of Application _____
Nationality: _____ *MITI (Customs) Licence No. _____
Address: _____ Tel. _____ *Expiration Date of Term of
Validity _____

Without requiring any payment

described under settlement by domestic means of payment

Request is made for
licence to import

Under processing deal contract hereunder

(Contd...)

1. Details of Goods

[illegible]

2. Detail Information of Reason and Purpose for Import and of Reason for Settlement under the Means of Payment expressed in the Japanese Currency when Necessary for Import (Containing Name of Final Consumer)

3. Country of Origin and Shipping Port

Country of Origin Shipping Port

4. Snipper

Name _____

City

Country

5. Shipment by

Air Express or Ocean Freight

Port of Unloading

6. Contracting Party

Name _____

Address

The undersigned certifies that the information shown in this Application (and attachment hereto) is complete and correct.

Name & Seal or Signature

Title

(Contd.)

The import of the goods listed above is hereby Approved under the provisions of Article 8 paragraph 1 of Import Trade Control Order. Disapproved

*Condition

Name & Seal: Minister of International Trade & Industry or Chief of Custom

Date

Title

Name & Seal

Reverse-side

Details of Settlement when made in Domestic Means of Payment
(1) Description of Payee

Name	Address	Description of Resident or Non-Resident	Relation between exporter & payee
		Resident	
		Non-Resident	

(2) Details of Settlement:

(1) Amount

(2) Term of Settlement

(3) Basis of Calculation

(Contd.)

* Customs Clearance

Customs Declaration No. and Date	Name of Commodity	Invoice Quantity	Invoice amount	Quantity of Clearance	Amount of Clearance	Date of Approval & Customs Signature & Seal

Note: (1) The applicant will leave out the columns marked *.

(2) Size : A 4

(3) In an unavoidable case, the application can be filled out in English

Based on Article 5 paragraph
1 of Import Trade
Control Regulation
Under Ministry of Inter-
Jurisdiction national Trade &
of Industry

Application for Import Allocation

Application _____
Address _____
Name & Seal or Signature _____
Title _____
Date of Application _____
II. Details of Application
Announcement (Term & No.) _____

1. Outline of Anticipated
Import Contract.

(1) Approx. Date of Contract _____
(2) Time of Shipment _____
(3) Time of Arrival _____
(4) Price condition _____
& Unit price _____
(5) Total Amount _____
(6) Others _____

No Announcement

1 No. etc. of Customs Tariff List	2 Name of Commodity	3 Type & Brand	4 Country of Origin	5 Shipment Area	Quantity and Unit (amount)
Marks of Classification					

III Allocation.

[illegible]

Affixing of condition or Establishment of special Term of Validity effected by the Minister of International Trade and Industry

[illegible]

Items to be described in ' 2 ' ' ' , which are detailed in the column of the "II Details of Application" mentioned above, can not be changed without obtaining licence of the Minister of International Trade & Industry.

Name and Seal of the Minister of International Trade and Industry

Title _____

Name & Seal _____

Note:

(1) The applicant shall not fill out columns marked with*.

(2) In the column of "No. etc. of Customs Tariff List" the description shall be made of numbers or Marks affixed to items of the detailed classification concerned in the case where there is detailed classification in the numbers of customs tariff list and in the column of names of goods of the same list.

- (3) In the column of "Marks of Classification" marks which are to be stipulated specially by the Minister of International Trade and Industry in accordance with number, etc. of customs tariff list shall be described.
- (4) In the column of "Quantity and Unit(amount)" "Amount shall be described with regard to those, for which import allocation is granted in accordance with price of goods, in such a case no description is required for (5) in the column of #1. Outline of Anticipated Import Contract."
- (5) The size of paper for the form shall be No.4 of the row-A.
- (6) In an unavoidable case, the application may be filled out in English.

State of Conditions of Approval of Import

	Date of Receipt of Approval of Import	Quantity (amount) of Approval of Import	Quantity (amount) not approved as yet	Name and Seal of Bank
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				

Appendix 7

Attachment 4

Based on Article 10 of Import
Trade Control Regu-
lation

Under Ministry of Interna-
Jurisdictional Trade &
tion of Industry

Allocation for Licence for (Extension of Term Collection) For Foreign Claimable
(Non-collection) Assets

To: Minister of International Trade and Industry
Applicant

Date of Application

* Licence No.

* Particulars, Date & No.
of approval by Minister of
International Trade &
Industry concerning Amend-
ment of this Licence
(inclusive Extension of
Term of Collection)

(Extension of Term of Collection)
{ Non-collection) Foreign

Tel.No.

Address

Name & Seal or Signature

Title

Request hereby is made for licence for

Claimable assets as mentioned hereunder.

1. Details of Foreign Claimable Assets:

1. Claimant Name of Company or Individual
Address

2. Claimee Name of Company or individual
Address

3. Kind of Foreign Claimable Assets

4. Amount of Foreign Claimable Assets

5. Process of Acquisition

6. Method of Collection
7. Term of Collection and Condition
2. Details of Application
1. Amount and Term of Extension of Collection
2. Amount of Non-collection
3. Explanation for Application for Extension of Term of Collection or Non-collection

4. Remarks

The present license for (Extension of Term of Collection) of Foreign Claim-able Assets is hereby approved Under the provisions of the proviso of Article 15 paragraph 1 of Import Trade Control Order.

Concurred for: Minister of Finance Name & Seal: Minister of International Trade and Industry.

Date

Title

Name & Seal

Date

Title

Name & Seal

Note: 1. The applicant shall not fill out columns marked with*
2. Size : B 4
3. In an unavoidable case, the application can be filled out in English.

Based on Article 11-3
paragraph 1 of
Import Trade
Control Regulation
Under
Jurisdic-
tion of
Ministry of Inter-
national Trade &
Industry

Application for Permission of Contract for Merchants-Trade

To: Minister of International Trade and Industry

* Date of Application _____

* Date of Permission _____

Applicant _____

Address _____

Tel. No. _____

* Permission No. _____

Application is hereby made on the above subject
as stated hereunder.

* Expiration Date of Term of
Validity _____

I. Contracting Party

Consigner _____

Address _____

Buyer _____

Address _____

II. In case of acting for any other third party, make the following entry.

Name of Company or Individual _____

Address _____

Distinction of Resident or
Non-Resident _____

Relation with Applicant _____

III Details of Trade

Name of commodity	Specification	Unit	Quantity	Item	Amount	
					Unit Price on CIF or FOB	Total amount
				Receipt		
				Payment		
				Balance		

Remarks

Country of Origin _____ Destination _____

Shipment Area _____ Trans-shipment Port in Japan _____

Estimated Time of Shipment _____ Export Licence No. _____

_____ Date _____

Export Licence of the Government of the country in which shipper resides.

Import Licence of the government of the country in which buyer resides.

Required or not Granted or not

Required or not Granted or not

IV. Details of Settlement

(1) Kind of Currency or Account of Settlement

Receipt _____

Payment _____

In case payment is made by receiving loan of the authorized foreign exchange fund owned by the authorized foreign exchange bank, state to that effect and the name of the bank in the column of payment.

2. Method of Settlement:

Receipt

a. Drawing of Sight Usance BILL of exchange under documentary L/C (L/A).

Type of L/C (L/A) Usance at _____
Sight

b. Drawing of _____ Documentary
Usance D/A (D/P)
collection bill.

c. Receipt of remittance _____
Before _____
After _____
delivery of shipping documents

d. Others

Put the mark O on the applicable method above, state particulars in case of d or d'.

(3) Schedule of Settlement

Month	Jan	Feb.	March	Apr.	May	June	July	Aug	Sept	Oct	Nov	Dec
L/C (L/A)												
Advice Rec'd												
Established												
Received												
Paid												
Settlement of Foreign Exchange												

The undersigned varifies that the statement made in this application (and documents attached hereto) is true and correct.

Payment

a. Settlement of Usance Sight BILL of exchange under documentary L/C (L/A).
Type of L/C (L/A) _____
Sight

Usance at _____
Sight

b. Settlement of _____
Usance/D/A (D/P)
Documentary collection bill.
Remittance Before receipt After

of shipping documents

d. Others

Put the mark O on the applicable method above, state particulars in

Name and Seal or Signature of Applicant _____ Title _____

Approved _____

The application is hereby _____ under the provisions of article 21 of

Disapproved _____

Import Trade Control Order.

Provided that _____

Name & Seal: Minister of International Trade & Industry

Name & Seal _____

Title _____

(Following Columns to be used by Authorised Foreign Exchange Bank)

1. Bank's Certificate of Establishment or Acceptance of Letter of Credit (Letter of Authority)

L/C (L/A) No. & Name of Issuing or Accepting Bank	Expiration Date	Amount	Name of Beneficiary	Date of Shipment	Date of Certification	Bank's Name & Seal
Acceptance						
Establishment						

II. Bank's Certificate of Foreign Exchange Settlement

Classification of Payment or Receipt, & Bal- ance	Amount of Foreign Exchange	L/C (L/A) No.	Yen Amount paid or Received	Date of Payment or Receipt	Bank's Name & Seal
Receipt					
Payment					
Balance					

Notes:

1. The applicant will leave out the columns marked*.
2. The applicant will fill in column of remarks in "III Details of Trade" in the following cases.
 - a. In case where the condition of trade is other than on C.I.F. or F.O.B. basis, the basis of the said contracts will be mentioned.
 - b. In case of C.I.F. or F.O.B. contracts with special terms and conditions, the basis of the said contracts will be mentioned.
 - c. In case of contracts concluded not in accordance with practice proper to the item of import, the basis of the said contracts will be mentioned.
3. Size B 4.
4. In an unavoidable case, the application can be filled out in English.

Appendix 9LIST OF SELECTED IMPORTERS

The following trading companies are most important and should be contacted for export of any product.

A. 'Big Four'

1. Mitsui & Co. Ltd.,
2-9 Nishi Shimbashi Itchome,
Minatoku, Tokyo.
2. Mitsubishi Shoji Kaisha Ltd.,
20 Marunouchi, 2 Chome
Chiyoda - Tokyo
3. Marubeni Iida Co. Ltd.
3, Hornmachi, 3 Chome,
Higashiku,
Osaka.
4. C. Itoh & Co. Ltd.,
4, 2-Chome, Hon Cho,
Nihonbashi, Chuo-ku,
Tokyo.

B. Other Leading Trading Companies

5. Toyo Menka Co. Ltd.,
Sasjinia Cho,
Nagoya.
6. Nissho Iwai Co. Ltd.,
Inbashi,
Higashiku,
Osaka.
7. Sumitomo Shoji Kaisha Ltd.,
Sumitomo Shoji Building,
1, Kandamitoshiro,
Chiyoda-ku,
Tokyo.

8. Nichimen Co. Ltd.,
6, I-chome Takara - Cho
Chuo - ku, Tokyo.
9. Okura Trading Co. Ltd,
Okura Building,
Tokyo.
10. Chori & Co. Ltd.,
32, 4 Chome, Azuchimachi,
Higashiku, Osaka.
11. Iwatani & Co. Ltd.,
3-11 Honmachi, Osaka.
12. Nisso Co. Ltd.,
30, Imabashi
3, Chome, Higashiku,
Osaka.
13. Iwai & Co.
Kitahana, Higashiku,
Osaka.
14. Kinsho - Mataichi
Nihonbashi, Tokyo.
15. Meiji Trading Co.
Chuoku, Tokyo.
16. Nozoki Singyo
Nihonboshi, Chuoku
Tokyo
17. Toto Marine Products,
Chuoku,
Tokyo.

In addition there are 3,000 trading companies which are listed in the Trade Directory published by the Japan Chambers of Commerce; the interested parties may consult it.

C. Selected End Users & Distributors

Electronic Components

18. Alps Electric Ltd.,
247, Tukigaya Ohtaku,
Tokyo.
19. Oki Electric Industry Co.
10, Kotohiracho Shiba, Tokyo.
20. Pioneer Electronic Corporation
5-15-5 Omori, Tokyo.
21. Shiba Electric Co. Ltd.
2-20, Uchisaiwaicho, Tokyo.

Industrial Chemicals & Pharmaceuticals

22. Asahi Glass Co. Ltd.,
14,2 Chome
Marunouchi
Chuoku, Tokyo.
23. Daichi Seiyaku Co. Ltd.
3-1-2 Edobashi Nihonbashi
Chuoku, Tokyo.
24. Eisai Co. Ltd.
4-6-10, Koishikawa,
Tokyo.
25. General Sekiju K.K.
4-4 Ginza,
Tokyo.
26. Nissan Chemicals Industries Ltd.
1-2, Honcho, Tokyo.
27. Sankyo Co. Ltd.,
2-1 Ginza Chuoku, Tokyo.

Heavy & Light Electric Machinery Components & Products

- 28. Fuji Electric Co. Ltd.,
1-1, Marunouchi,
Tokyo.
- 29. Hitachi Ltd.,
1-4, Marunouchi,
Tokyo.
- 30. Hokkaido Electric Power Co., Inc.
2, Higashi
Sapporo City.
- 31. Mitsubishi Electric Corporation
2-12, Marunouchi, Tokyo.
- 32. Mitsumi Electric Co. Ltd.,
1056, Koadachi,
Kitatomagun, Tokyo.
- 33. Sansui Electric Co. Ltd.,
2-14-1, Izumicho, Suginamiku, Tokyo.
- 34. Tokyo Electric Power Inc.
1-5-1 Uchisaiwaicho,
Tokyo.

Automobile Spares

- 35. Hino Motors Ltd.,
4-2 Chome Nihonbashi-Tori,
Tokyo.
- 36. Nissan Motor Co. Ltd.,
2, Takaracho,
Yakohama.
- 37. Nissan Shatai Koki Co. Ltd.
3-2-4 Kasumigaseki,
Tokyo.
- 38. Toyota Motor Sales Co. Ltd.,
2-2 Hijiecho,
Nayoya.

Castings & Forgings

- 39. Hitachi Metals Ltd.,
2-16, Marunouchi, Tokyo.
- 40. Japan Steel Works Ltd.,
1-12 Yurakucho, Tokyo.
- 41. Kawasaki Steel Corporation,
1-1 Kitahonmachi-dori, Kobe.

Petroleum Products

- 42. Mitsubishi Oil Co. Ltd.
1, Shiba-Kotohiracho,
Tokyo.
- 43. Mitsu-Uroko Co. Ltd.,
4-1 Muromachi, Tokyo.
- 44. Showa Denko K.K.
34, Shiba, Miyamotocho,
Tokyo.

Industrial Machinery and Components

- 45. Ishi Iron Works Co. Ltd.,
4-3 Ginza-Nishi, Tokyo.
- 46. Ishikawajima-Harima Heavy Industries Co. Ltd.,
2-4 Ohtemachi, Tokyo.
- 47. Kayaba Industry Co. Ltd.,
1, 1-Chome, Shibaura,
Tokyo.
- 48. Koyo Seiko Co. Ltd. (Ball bearings)
2, Unagidani-Nishinocho,
Osaka.
- 49. Mitsubishi Heavy Industries Ltd.,
10, 2 Chome, Marunouchi,
Tokyo.

- 50. Mitsui Shibuilding & Engineering Co. Ltd.,
4-6, 5-Chome, Tsukiji,
Tokyo.
- 51. Nippon Seiko K.K. (bearings and spindles)
20 Marunouchi, Tokyo.

For consumer products the following department stores are most important which should be contacted.

- 52. Daimaru
Shinsaibashi,
Osaka.
- 53. Hankyu Department Store,
Kakutacho
Osaka.
- 54. Isetan
Shinjuku
Tokyo.
- 55. Iwataya
Tenjinnocho
Fukuoka City.
- 56. Izutsuya
Takaramachi,
Kitakyushu City.
- 57. Matsuya Department Store
Ginza, Tokyo.
- 58. Matsuzakaya
Shakae, Nakaku.
- 59. Mitsukoshi
Nihonbashi, Tokyo.
- 60. Takeshimaya
Minamiku, Osaka.
- 61. Tokyo Department Store,
Shibuyaku, Tokyo.

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1. Annual Report of Japanese Cotton Textile Industry - Japan Spinners' Association.
2. An outline of Japanese Taxes - Tax Bureau, Ministry of Finance.
3. Customs Tariff Schedule of Japan 1969 - Japan Tariff Association.
4. Economic & Commercial Report of Japan, Govt. of India - Directorate of Commercial Publicity.
5. Economic Picture of Japan - Keidanren
6. Economic Planning (Japan) - Economic Planning Agency.
7. Economic & Social Development Plan (1967-71) - Economic Planning Agency.
8. Foreign Trade of Japan - Japan External Trade Organisation.
9. Guide to the Motor Industry of Japan. Japan Motor Industrial Federation.
10. Handbook of Japan - Bureau of Statistics.
11. How JETRO Serves You-Japan External Trade Organization.
12. Japan's Economic Co-operation with Developing Nations - Ministry of International Trade & Industry.
13. Japan Exports & Imports Commodity by country - Ministry of Finance.
14. Japan Laws, Ordinances and other Regulations Concerning Foreign Exchange and Foreign Trade - Foreign Exchange Study Association of Japan.

15. Japan Statistical Year Book, 1968, Bureau of Statistics.
16. Japan Textiles - Japan Textiles Exporters Association.
17. Long Term Projections of Japanese Economy, September 1968 - Economic Planning Agency.
18. Law Concerning Japan, External Trade Organization.
19. Paper for the Second Joint Meeting of the Business Co-operation Committee of India and Japan - Federation of Indian Chambers of Commerce and Industry.
20. Ports and Harbours Annual - Ministry of Transport.
21. Statistics of Foreign Trade by Commodity; Series B and series C - OECD.
22. Trade & Industry of Japan - Japan External Trade Organization.
23. Your Business Opportunities in Tokyo - The Tokyo Chamber of Commerce & Industry.

II. Dailies

24. (i) Economic Times, Bombay.
25. (ii) Financial Express, Bombay.
26. (iii) Financial Times, Bombay.
27. (iv) Japan Times, Tokyo.

III. Weeklies

28. (1) Capital, Calcutta.
29. (2) Commerce, Bombay.
30. (3) Export Service Bulletin, Government of India.

31. (4) Indian Trade Journal,
Government of India.

IV. Monthlies

32. Economic Statistics - Economic Planning Agency,
Japan.
33. Fuji Bank Bulletin - Fuji Bank, Tokyo.
34. Japan Iron & Steel Monthly,
35. Journal of Industry of Trade;
Government of India.
36. Monthly Statistics of the Foreign Trade
of India, DGCIS.
37. The Oriental Economist, Tokyo.

V. Quarterlies

38. Hitotsuboshi Journal of Economics, Hitotsuboshi
University, Tokyo.
39. Japan's Economy - 18 Month's Forecast - Japan's
Economic Research Centre, Tokyo.
40. Quarterly Supplement of Economic Analysis -
Economic Research Institute -
Economic Planning Agency.

VI. Corporation Reports

41. Brother Industries Ltd.
42. C. Itoh & Co. Ltd.
43. Fuji Heavy Industries Ltd.
44. Fuji Iron & Steel Co. Ltd.
45. Hitachi Ltd.

46. Marubeni Iida Co. Ltd.
47. Mitsubishi Shoji Kaisha Ltd.
48. Mitsui & Co. Ltd.
49. Sumitomo Chemicals Ltd.
50. Tokyo Engineering Corporation Ltd.
51. Tokyo Shibaura Electric Co. Ltd.

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